

March 11, 2003

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors and Commissioners:

**RESOLUTIONS APPROVING REISSUANCE OF MULTIFAMILY HOUSING
MORTGAGE REVENUE BONDS FOR SAND CANYON RANCH PROJECT
IN UNINCORPORATED CANYON COUNTRY (5)
(3 Vote)**

**IT IS RECOMMENDED THAT YOUR BOARD, ACTING AS THE GOVERNING BODY
OF THE COUNTY OF LOS ANGELES:**

Adopt and instruct the Chair to sign a Resolution, as required under Section 147(f) of the Internal Revenue Code of 1986, approving and authorizing the Housing Authority of the County of Los Angeles to reissue and sell in an aggregate amount not exceeding \$14,500,000, Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F, and approve related actions to assist Palmer-Saugus, a California Limited Partnership (the Developer), in refinancing the acquisition and construction of the Sand Canyon Ranch, a 255-unit multifamily rental housing development located at 28856 North Silver Saddle Circle in the unincorporated area of Canyon Country.

IT IS RECOMMENDED THAT YOUR BOARD, ACTING AS THE GOVERNING BODY OF THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES:

Adopt and instruct the Chair to sign a Resolution approving and authorizing the Housing Authority of the County of Los Angeles to reissue and sell, in an aggregate amount not exceeding \$14,500,000, Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F, and approve related actions to assist Palmer-Saugus, a California Limited Partnership (the Developer), in refinancing the acquisition and construction of the Sand Canyon Ranch, a 255-unit multifamily rental housing development located at 28856 North Silver Saddle Circle in the unincorporated area of Canyon Country.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to adopt Resolutions approving and authorizing the reissuance, sale and delivery of Multifamily Housing Mortgage Revenue Bonds to refinance the acquisition and construction of the Sand Canyon Ranch multifamily housing development. The purpose is also to extend the maturity of the bonds and the Regulatory Agreement for an additional 30 years. These actions will allow the Housing Authority to reduce the rents on the units reserved for low-income tenants, and allow the bonds to qualify for a tax exemption under Section 103 of the Internal Revenue Code of 1986.

FISCAL IMPACT/FINANCING:

No County costs will be incurred. The Developer will pay all fees and related costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Housing Authority issues Multifamily Housing Mortgage Revenue Bonds on an ongoing basis to provide financing to increase the supply of multifamily housing for very low-, low-, and moderate-income families throughout Los Angeles County.

On November 7, 1985, the Housing Authority issued Multifamily Housing Mortgage Revenue Bonds in the amount of \$14,500,000, for the acquisition, construction and permanent financing of Sand Canyon Ranch. The original bonds will expire on November 1, 2006, and the Letter of Credit issued by Northern Trust will expire on June 15, 2003.

On October 10, 1989, the Housing Authority executed the First Supplemental Indenture of Trust, along with other bond documents, to remove the sinking fund redemption

requirement which allowed the Developer to defer the payment of principal until maturity.

On November 8, 2000, the Developer requested that the Housing Authority file a ruling request with the Internal Revenue Service (IRS) to extend the maturity of the bonds for an additional 30 years, in order to extend the bonds' tax-exempt status. This ruling was necessary since the original Regulatory Agreement had expired on August 19, 1997, after which the Developer ceased to maintain the affordable units. On October 2, 2002, the IRS issued its ruling, authorizing the reissuance of the original bonds, subject to reinstatement of the rent levels as set forth in the original Regulatory Agreement. These levels required that 20 percent of the units be set-aside for households earning less than 80 percent of the area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area (MSA), adjusted for family size, as determined by the U.S. Department of Housing and Urban Development (HUD).

The Developer has requested that the Housing Authority refund and reissue for public sale all of the original bonds in an amount not exceeding \$14,500,000, and that the maturity date be extended to 2033. The Housing Authority and the Developer have agreed to amend and restate the Indenture, the Loan Agreement, the Regulatory Agreement, and the Intercreditor Agreement to incorporate the terms of reissuance and extensions of maturity and affordability. The Federal Home Loan Mortgage Corporation (Freddie Mac) has agreed to issue the credit enhancement for the term of the bonds.

On February 3, 2003, the Housing Authority conducted, at its office located at 1 Cupania Circle in the City of Monterey Park, a public hearing on the proposed reissuance of the bonds, as authorized by Section 147(f) of the Internal Revenue Code of 1986. No comments were received at the public hearing concerning the reissuance of the bonds.

On February 26, 2003, the Housing Commission recommended approval of the proposed actions.

The attached Resolutions have been prepared by Orrick, Herrington & Sutcliffe, Bond Counsel to the Housing Authority, and have been approved as to form by County Counsel. All other related documents, presented in substantially final form, will be approved as to form by County Counsel prior to execution by the authorized parties.

ENVIRONMENTAL DOCUMENTATION:

This project is exempt from the provisions of CEQA pursuant to State CEQA Guidelines 15061 (b)(3), because it is covered by the general rule that CEQA only applies to projects that have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT PROJECT:

The proposed actions will assist in maintaining and preserving the County's supply of affordable housing by ensuring that 20 percent of the units will be reserved for low-income tenants for an extended affordability period of 30 years.

Respectfully submitted,

CARLOS JACKSON
Executive Director

Attachments: 2

**RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING
AUTHORITY OF THE COUNTY OF LOS ANGELES AUTHORIZING
AMENDMENT OF THE INDENTURE AND VARIOUS OTHER DOCUMENTS
RELATING TO THE HOUSING AUTHORITY OF THE COUNTY OF LOS
ANGELES VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE
BONDS (SAND CANYON RANCH PROJECT) 1985 SERIES F**

WHEREAS, The Housing Authority of the County of Los Angeles (the "Authority") and First Interstate Bank of California, as predecessor to U.S. Bank National Association (the "Trustee"), entered into an Indenture of Trust dated as of November 1, 1985 (the "Indenture"), providing for the issuance of and securing the Authority's \$14,500,000 Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) (the "Project"), 1985 Series F (the "Bonds");

WHEREAS, the Authority, the Trustee and Palmer-Saugus, a California Limited Partnership (the "Developer"), entered into a Loan Agreement dated as of November 1, 1985 (the "Loan Agreement"), providing for the loan of the proceeds of the Bonds to the Developer;

WHEREAS, the Authority, the Trustee and the Developer entered into a Regulatory Agreement dated as of November 1, 1985 (the "Regulatory Agreement"), providing for certain requirements applicable to the Project financed with proceeds of the Bonds;

WHEREAS, the Developer desires to extend the maturity of the Bonds and to substitute a credit facility issued by the Federal Home Loan Mortgage Corporation ("Freddie Mac") for the letter of credit currently securing the Bonds; and

WHEREAS, the Developer, in connection with such credit facility substitution and maturity extension, has requested that the Authority amend and restate the Indenture and the Loan Agreement, it is desirable that the Authority enter into an amendment to the Regulatory Agreement, and Freddie Mac has requested that the Authority enter into an Intercreditor Agreement, in the respective forms of, and for the reasons and purposes set forth in, the respective forms of Amended and Restated Indenture of Trust, Amended and Restated Loan Agreement, First Amendment to Regulatory Agreement and Intercreditor Agreement presented at this meeting;

NOW, THEREFORE, BE IT RESOLVED by this Board of Commissioners of The Housing Authority of the County of Los Angeles, as follows:

1. The Amended and Restated Indenture of Trust in the form presented at this meeting is hereby approved, and the Executive Director of the Authority is hereby authorized and directed to execute, and such officer is authorized and directed to deliver to the Trustee, for and in the name and on behalf of the Authority, an Amended and Restated Indenture of Trust in substantially such form, with such additions, changes and corrections either of them may approve upon

consultation with the County Counsel, as counsel to the Authority, and Bond Counsel to the Authority, such approval to be conclusively evidenced by the execution of said Amended and Restated Indenture of Trust with such additions, changes or corrections.

2. The Amended and Restated Loan Agreement in the form presented at this meeting is hereby approved, and the Executive Director of the Authority is hereby authorized and directed to execute, and such officer is authorized and directed to deliver to the Developer, for and in the name and on behalf of the Authority, an Amended and Restated Loan Agreement in substantially such form, with such additions, changes and corrections either of them may approve upon consultation with the County Counsel, as counsel to the Authority, and Bond Counsel to the Authority, such approval to be conclusively evidenced by the execution of said Amended and Restated Loan Agreement with such additions, changes or corrections.
3. The First Amendment to the Regulatory Agreement in the form presented at this meeting is hereby approved, and the Executive Director of the Authority is hereby authorized and directed to execute, and such officer is authorized and directed to deliver to the Trustee and the Developer, for and in the name and on behalf of the Authority, the First Amendment to the Regulatory Agreement in substantially such form, with such additions, changes and corrections either of them may approve upon consultation with the County Counsel, as counsel to the Authority, and Bond Counsel to the Authority, such approval to be conclusively evidenced by the execution of said First Amendment to the Regulatory Agreement with such additions, changes or corrections.
4. The Intercreditor Agreement in the form presented at this meeting is hereby approved, and such officer is authorized and directed to deliver to Freddie Mac and the Trustee, for and in the name and on behalf of the Authority, an Intercreditor Agreement in substantially such form, with such additions, changes and corrections either of them may approve upon consultation with the County Counsel, as counsel to the Authority, and Bond Counsel to the Authority, such approval to be conclusively evidenced by the execution of said Intercreditor Agreement with such additions, changes or corrections.
5. All actions heretofore taken by the officers and agents of the Authority with respect to the amendment of the Indenture, the Loan Agreement and the Regulatory Agreement and the delivery of the Intercreditor Agreement are hereby approved, confirmed and ratified, and the proper officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any

and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those described in the Indenture, the Loan Agreement, the Regulatory Agreement and the Intercreditor Agreement, which they, or any of them, may deem necessary or advisable in order to consummate the amending of the Indenture, the Loan Agreement and the Regulatory Agreement, and the delivery of the Intercreditor Agreement, in accordance with this Resolution and any Resolution heretofore adopted by the Authority and in order to carry out the transactions contemplated by the Indenture, the Loan Agreement, the Regulatory Agreement and the Intercreditor Agreement.

6. All further consents, approvals, notices, orders, requests and other actions permitted or required by the Indenture, the Loan Agreement, the Regulatory Agreement, the Intercreditor Agreement or any related documents, including without limitation any of the foregoing which may be necessary or desirable in connection with any default under or further amendment of such documents, any transfer or other disposition of the Project, any substitution of credit enhancement for the Bonds or any redemption of the Bonds, may be given, taken or approved by the Administrator (as defined below) without further authorization by this Board of Commissioners, and the Administrator is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action which such officer may deem necessary or desirable to further the purposes of this Resolution, the Indenture, the Loan Agreement, the Regulatory Agreement, the Intercreditor Agreement and any related documents.
7. This Board of Commissioners hereby appoints the Executive Director of the Authority, or his designee, as administrator/manager with respect to the amendment of the Indenture, the Loan Agreement and the Regulatory Agreement and the delivery of the Intercreditor Agreement and all other matters arising in connection with the Bonds (the "Administrator").
8. All Resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

9. This Resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED by the Board of Commissioners of The Housing Authority of the County of Los Angeles, State of California, this ____ day of _____, 2003, by the following vote:

AYES: Commissioner

NOES:

ABSENT:

ABSTAIN:

[SEAL]

By _____
Chair
Board of Commissioners

ATTEST:

VIOLET VARONA-LUKENS
Executive Officer-Clerk
of the Board of Commissioners

By _____
Deputy

APPROVED AS TO FORM:

LLOYD W. PELLMAN
County Counsel

By _____
Deputy

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES APPROVING THE REISSUANCE OF MULTIFAMILY
HOUSING REVENUE BONDS AND RELATED ACTIONS**

WHEREAS, The Housing Authority of the County of Los Angeles (the "Authority") is authorized and empowered by the provisions of Section 34312.3 of the Health and Safety Code of the State of California (the "Act") to issue and sell revenue bonds for the purpose of making loans or otherwise providing funds to finance the acquisition and construction of multifamily residential rental housing projects, including units for households meeting the income limits set forth in the Act; and

WHEREAS, on November 7, 1985, the Authority issued its Variable Rate Demand Multifamily Housing Mortgage Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F (the "Bonds") pursuant to the Act to provide financing for the acquisition and construction of a certain multifamily rental housing development comprising 255 units located at 28856 North Silver Saddle Circle, in the unincorporated area known as Canyon Country in the County of Los Angeles, California (the "Project"); and

WHEREAS, Bonds in the aggregate principal amount of \$14,400,000 are currently outstanding; and

WHEREAS, the Project is presently owned by Palmer-Saugus, a California Limited Partnership (the "Borrower"); and

WHEREAS, the Borrower has requested that certain amendments be made to the indenture and other agreements securing the Bonds, which amendments will cause the Bonds to be "reissued" for federal income tax purposes; and

WHEREAS, if the Bonds are reissued, the interest on the Bonds may qualify for tax exemption under Section 103 of the Internal Revenue Code of 1986 (the "Code") only if the Bonds are approved in accordance with Section 147(f) of the Code; and

WHEREAS, the Project is located wholly within the County of Los Angeles; and

WHEREAS, this Board of Supervisors is the applicable elected representative required to approve the issuance of the Bonds within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, The Housing Authority of the County of Los Angeles has, following notice duly given, held a public hearing regarding the issuance of such Bonds on February 3, 2003, and now desires that the Board of Supervisors approve the issuance of such Bonds, and

WHEREAS, this Board hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES AS FOLLOWS:

1. The above recitals, and each of them, are true and correct.
2. This Board of Supervisors hereby approves the reissuance of the Bonds by the Authority to refinance costs of the Project. It is the purpose and intent of this Board of Supervisors that this Resolution constitute approval of the Bonds by the applicable elected representative of the issuer of the Bonds and the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with Section 147(f) of the Code.
3. The Executive Officer-Clerk of the Board of Supervisors or a deputy thereof is directed to certify and deliver a copy of this Resolution to the Authority.
4. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Supervisors of the County of Los Angeles, State of California, this ____ day of _____, 2003 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

By _____
Chair
Board of Supervisors

ATTEST:

VIOLET VARONA-LUKENS
Executive Officer-Clerk
of the Board of Supervisors

By _____
Deputy

APPROVED AS TO FORM:
LLOYD W. PELLMAN
County Counsel

By _____
Deputy

AMENDED AND RESTATED INDENTURE OF TRUST

Between

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

And

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of _____ 1, 2003

Amending and restating Indenture of Trust, dated as of November 1, 1985,
as supplemented by First Supplemental Indenture, dated October 10, 1989

Relating to

The Housing Authority of the County of Los Angeles
Variable Rate Demand Multifamily Housing Revenue Bonds
(Sand Canyon Ranch Project) 1985 Series F

INDENTURE OF TRUST

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THIS AMENDED AND RESTATED INDENTURE OF TRUST, made and entered into as of _____ 1, 2003 (the "Indenture"), by and between THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES (herein called the "Issuer") and U.S. BANK NATIONAL ASSOCIATION (herein called the "Trustee"), amending and restating Indenture of Trust, dated as of November 1, 1985, between the Issuer and First Interstate Bank of California, as Trustee, as supplemented by First Supplemental Indenture, dated October 10, 1989, between the Issuer and First Interstate Bank of California (as supplemented, the "Original Indenture"),

WITNESSETH:

WHEREAS, Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Law") authorizes housing authorities to incur indebtedness for the purpose of financing the construction or development of multifamily rental housing and for the provision of capital improvements in connection with and determined necessary to such multifamily housing, and the Law provides a complete, additional and alternative method for doing the things authorized thereby; and

WHEREAS, the Issuer, after due investigation and deliberation, adopted a resolution approving the issuance of its Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F (the "Series F Bonds" or the "Initial Series of Bonds"), in the aggregate principal amount of \$14,500,000, to provide funds to finance the acquisition and construction of a multifamily rental housing development, identified in Schedule I hereto, to be located in the County of Los Angeles, California (herein called the "Project"), for Palmer-Saugus, A California Limited Partnership (the "Developer"), which Project qualifies for financing pursuant to the Law; and

WHEREAS, the Issuer has duly entered into a loan agreement (the "Agreement" or the "Loan Agreement") with the Developer specifying the terms and conditions of the acquisition and construction by the Developer of the Project, the lending of proceeds of the Initial Series of Bonds to the Developer for such purpose and the repayment by the Developer of such loan; and

WHEREAS, in order to provide for the authentication and delivery of the Initial Series of Bonds, to establish and declare the terms and conditions upon which the Initial Series of Bonds and any additional bonds (collectively, the "Bonds") are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Issuer executed and delivered the Original Indenture and issued the Series F Bonds, \$14,400,000 aggregate principal amount of which remains Outstanding; and

WHEREAS, the Developer is causing to be delivered to the Trustee by the Federal Home Loan Mortgage Corporation (the "Credit Facility Provider") credit enhancement and liquidity support for the Series F Bonds in the form of a Credit Enhancement Agreement (the "Credit Facility") between the Credit Facility Provider and the Trustee in replacement of the current Credit Facility securing the Series F Bonds and is requesting certain amendments to the Original Indenture to facilitate the delivery of such credit enhancement and liquidity support; and

WHEREAS, the Issuer has agreed to so amend the Original Indenture; and

WHEREAS, Section 9.02 of the Original Indenture permits the Issuer and the Trustee to execute and deliver supplemental indentures for the purpose of modifying or amending certain of the rights and obligations of the Issuer, the Trustee, and the holders of the Bonds after the written consents the holders of 100% in aggregate principal amount of the Bonds Outstanding have been filed with the Trustee; and

WHEREAS, the Trustee has received the written consents of the holders of 100% in aggregate principal amount of the Bonds Outstanding to such amendments and supplements to the Indenture; and

WHEREAS, the Credit Facility Provider and the Developer have consented to and approved the entering into of this Indenture pursuant to Section 9.02 of the Original Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Initial Series of Bonds the valid, binding and legal limited obligations of the Issuer, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS AMENDED AND RESTATED INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Issuer covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective registered owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS AND GENERAL PROVISIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of the Loan Agreement and of any indenture supplemental hereto or agreement supplemental thereto, have the meanings herein specified, as follows:

The term “Acceleration Default” shall mean a default under the Loan Agreement or the Regulatory Agreement if, as set forth in a written opinion of Bond Counsel delivered to the Trustee, such default would be likely to result in interest on the Bonds becoming subject to federal income taxation if the Bonds remain outstanding.

The term “Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Developer and/or a

general partner of the Developer under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

The term “Additional Bonds” shall mean any Bonds issued pursuant to the provisions hereof on a parity with the Initial Series of Bonds.

The term “Administrator” shall mean the Community Development Commission of the County of Los Angeles or any other administrator appointed by the Issuer as its agent in the administration of the Regulatory Agreement.

The term “Agents” shall mean the Remarketing Agent, the Tender Agent and any paying agent hereunder.

The term “Agreement” or “Loan Agreement” shall mean the Amended and Restated Loan Agreement, of even date herewith, between the Issuer and the Developer, as originally executed or as it may from time to time be supplemented or amended.

The term “Authorized Amount” shall mean Fourteen Million Five Hundred Thousand Dollars (\$14,500,000), the authorized principal amount of the Initial Series of Bonds.

The term “Authorized Credit Facility Provider Representative” shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Credit Facility Provider by any officer of the Credit Facility Provider, which certificate may designate an alternate or alternates.

The term “Authorized Developer Representative” shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Developer by a general partner of the Developer, which certificate may designate an alternate or alternates.

The term “Authorized Issuer Representative” shall mean the Chair of the Board of Commissioners or the Executive Officer-Clerk of the Board of Commissioners of the Issuer, or the Executive Director or the Revenue Bond Administrator of the Community Development Commission of the County of Los Angeles, or any other person designated to act in such capacity by a Certificate of the Issuer containing the specimen signature of such person, which certificate may designate an alternate or alternates.

The term “Bond” shall mean any of the Initial Series of Bonds and any Additional Bond.

The term “Bond Counsel” shall mean any attorney at law or firm of attorneys, selected by the Issuer, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Developer or the Credit Facility Provider.

The term “Bond Fund” shall mean the fund established pursuant to Section 5.02 hereof.

The term “Business Day” means any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which the Federal Reserve Bank of New York (or any other agent acting as the Credit Facility Provider’s fiscal agent) is authorized or obligated by law or executive order to remain closed, (iv) a day on which the permanent home office of the Credit Facility Provider is closed or (v) a day on which (a) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee, the Tender Agent, the Remarketing Agent or the Credit Facility Provider is located are closed or (b) the New York Stock Exchange is closed.

The term “Certificate of the Issuer” shall mean a certificate of the Issuer signed by the Chair Pro Tem of its Board of Commissioners or its Executive Officer-Clerk of the Board of Commissioners, or by the Executive Director or Revenue Bond Administrator of the Community Development Commission of the County of Los Angeles, or by such other person as may be designated and authorized to sign for the Issuer. If and to the extent required by the provisions of Section 1.03, each Certificate of the Issuer shall include the statements provided for in Section 1.03.

The term “Certified Resolution” shall mean a copy of a resolution of the Issuer certified by the Executive Officer-Clerk of the Board of Commissioners of the Issuer, or by any Deputy thereof, to have been duly adopted by the Board of Commissioners of the Issuer and to be in full force and effect on the date of such certification.

The term “Code” shall mean the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, in each case to the extent applicable to the Bonds and the Project, and the applicable rules and regulations promulgated thereunder.

The term “Conversion” shall mean establishment of the interest rate on the Bonds at the Fixed Rate, pursuant to Section 2.01(e).

The term “Conversion Date” shall mean the date on which the Fixed Rate becomes effective.

The term “Credit Agreement” shall mean the Reimbursement and Security Agreement, dated as of _____ 1, 2003, between the Developer and the Credit Facility Provider, as originally executed or as it may from time to time be supplemented or amended, providing for the delivery of the Credit Facility, and any subsequent agreement pursuant to which a substitute Credit Facility is delivered.

The term “Credit Facility” shall mean that certain Credit Enhancement Agreement, dated as of _____ 1, 2003, between the Credit Facility Provider and the Trustee, or renewal or extension thereof or any substitute credit facility provided before Conversion meeting the requirements of Section 5.8(a) of the Agreement, or any Credit Facility provided in connection with or after Conversion meeting the requirements of Section 5.8(b) of the Agreement.

The term “Credit Facility Provider” shall mean Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of

the United States, as provider of the Credit Facility, or any provider of a substitute Credit Facility as permitted under Section 5.8 of the Agreement, and the respective successors and assigns of the business thereof and any surviving, resulting or transferee association or corporation with or into which it may be consolidated or merged or to which it may transfer all or substantially all of its business.

The term “Custodian” means U.S. Bank National Association or its successor under the Pledge Agreement.

The term “Deed of Trust” shall mean any deed of trust securing the obligations of the Developer under the Agreement, as such deed of trust may be originally executed or as from time to time supplemented and amended.

The term “Demand Date” shall mean the date on which any Bond is required to be purchased pursuant to Section 2.02 hereof.

The term “Developer” shall mean (i) Palmer-Saugus, A California Limited Partnership, and its successors and assigns, and (ii) any surviving, resulting or transferee entity as provided in Section 5.2 of the Agreement.

The term “Event of Default” as used herein other than with respect to defaults under the Loan Agreement shall have the meaning specified in Section 7.01 hereof, and as used in the Loan Agreement shall have the meaning specified in Section 7.1 thereof.

The term “Fixed Rate” shall mean the interest rate borne by the Bonds after Conversion, determined in accordance with Section 2.01(f) hereof.

The term “Government Obligations” shall mean Investment Securities described in (a) and (b) of the definition of “Investment Securities ” herein.

The term “holder” or “Bondholder” or “owner” shall mean the registered owner of any Bond.

The term “Indenture” shall mean this Amended and Restated Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

The term “Initial Series of Bonds” shall mean the Series F Bonds.

The term “Intercreditor Agreement” means the Intercreditor Agreement dated as of _____ 1, 2003, among the Issuer, the Trustee and the Credit Facility Provider, as such agreement may be amended or modified from time to time.

The term “Interest Accrual Period” shall mean a period beginning on any Tuesday and ending on the following Monday, except that the first Interest Accrual Period shall begin on the date of initial issuance and delivery of the Initial Series of Bonds and shall end on November 18, 1985,

and the final Interest Accrual Period shall end on the earlier of the day before the Conversion Date or the last date on which Bonds are outstanding.

The term “Interest Computation Date” shall mean, with respect to any Interest Accrual Period, the last Business Day before the first day of such Interest Accrual Period.

The term “Interest Payment Date” shall mean, until Conversion, the first Business Day of each month, commencing April 1, 2003, and each Substitution Date, and after Conversion, March 1 and September 1 of each year, commencing on the March 1 or September 1 next following Conversion, except that the final Interest Payment Date shall be March 1, 2033, unless the Bonds are earlier paid in full.

The term “Interest Period” shall mean each period commencing on an Interest Payment Date and ending on the day before the next succeeding Interest Payment Date.

The term “Investment Securities” means any of the following if and to the extent permitted by law: (a) direct and general obligations of the United States of America; (b) obligations of any agency or instrumentality of the United States the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (c) senior debt obligations of the Federal Home Loan Mortgage Corporation; (d) senior debt obligations of the Federal National Mortgage Association; (e) demand deposits or time deposits with, or certificates of deposit issued by, the Trustee or its affiliates or any bank organized under the laws of the United States or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the Trustee or such other institution has been rated at least A-1+ by the Rating Agency which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation; (f) investment agreements with Federal Home Loan Mortgage Corporation or a bank or any insurance company or other financial institution which has a rating assigned by the Rating Agency to its outstanding long-term unsecured debt which is the highest rating (as defined below) for long-term unsecured debt obligations assigned by the Rating Agency, and which are approved by the Credit Facility Provider; or (g) shares or units in any money market mutual fund (including mutual funds of the Trustee or its affiliates) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of direct obligations of the United States government, and which fund has been rated AAA by the Rating Agency. For purposes of this definition, the “highest rating” shall mean a rating of at least A-1+ for obligations with less than one year maturity; at least AA/A-1+ for obligations with a maturity of one year or greater but less than three years; and at AAA for obligations with a maturity of three years or greater. Investment Securities must be limited to instruments that have a predetermined fixed-dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

The term “Issuer” shall mean The Housing Authority of the County of Los Angeles, the issuer of the Bonds hereunder, and its successors and assigns as provided in Section 11.01.

The term “Issuer Fee Fund” shall mean the fund by that name established by Section 5.04.

The term “Law” shall mean Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as supplemented and amended to the date hereof.

The term “Loan” shall mean the loan made by the Issuer to the Developer pursuant to the Agreement for the purpose of providing financing for the acquisition and construction of the Project.

The term “Loan Agreement” shall mean the Agreement as defined herein.

The term “Net Proceeds,” when used with respect to any insurance proceeds or condemnation award, shall mean the amount remaining after deducting from the gross proceeds thereof all expenses (including attorneys’ fees) incurred in the collection of such proceeds or award.

The term “Opinion of Counsel” shall mean a written opinion of counsel, who may be counsel for the Issuer or Bond Counsel or counsel for the Trustee, and who shall be acceptable to the Trustee. If and to the extent required by the provisions of Section 1.03, each Opinion of Counsel shall include the statements provided for in Section 1.03.

The term “outstanding,” when used as of any particular time with reference to Bonds, shall, subject to the provisions of Section 11.08(e), mean all Bonds theretofore authenticated and delivered by the Trustee under this Indenture except:

- (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

- (b) Bonds for the payment or redemption of which moneys or securities in the necessary amount (as provided in Section 10.04) shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07.

The term “person” shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

The term “Pledge Agreement” means the Pledge, Security and Custody Agreement, dated as of , 2003, between the Developer and the Custodian, as collateral agent to the Credit Facility Provider, as such agreement may be amended or modified from time to time.

The term “Pledged Bonds” means the Bonds registered in the name of the Custodian, and in which the Credit Facility Provider has a security interest in accordance with the provisions of the Pledge Agreement as a result of the Bonds having been purchased with funds drawn under the Credit Facility and not remarketed.

The term “Principal Office” with respect to the Trustee shall mean the principal corporate trust office of the Trustee located at the address set forth in Section 11.06 hereof, or at such other place as the Trustee shall designate by notice given under said Section 11.06; and with respect to the Remarketing Agent shall mean its office located at the address set forth in Section 11.06 hereof, or at such other place as the Remarketing Agent shall designate to the Trustee pursuant to Section 8.12; and with respect to the Credit Facility Provider shall mean its office located at the address set forth in Section 11.06 hereof, or at such other place as the Credit Facility Provider shall designate as provided in said Section 11.06.

The term “Project” shall mean the multifamily rental housing development known as “Sand Canyon Ranch,” consisting of those facilities, including real property, structures, buildings, fixtures or equipment, described in Exhibit A to the Loan Agreement, as it may at any time exist, which facilities are to be financed, in whole or in part, from the proceeds of the sale of the Bonds, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in said Exhibit A.

The term “Principal Reserve Fund” means the Principal Reserve Fund established by the Trustee pursuant to Section 5.06 hereof.

The term “Principal Reserve Schedule” means the Principal Reserve Schedule set forth in the Credit Agreement.

The term “Principal Reserve Schedule Payments” means the payments to be made by the Developer in accordance with the Principal Reserve Schedule on the first day of each month.

The term “Purchase Price,” with respect to any Bond required to be purchased pursuant to Section 2.02 hereof, shall mean the principal amount of such Bond plus-interest accrued thereon to the Demand Date.

The term “Purchase Date” shall mean a date on which the Credit Facility Provider purchases Bonds in lieu of redemption pursuant to Section 4.06.

The term “Purchased Bonds” shall mean any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Developer with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is remarketed to any person other than the Credit Facility Provider, the Developer, any general partner or guarantor of the Developer or the Issuer.

The term “Qualified Newspaper” shall include The Wall Street Journal or The Daily Bond Buyer or any other newspaper or journal containing financial news; printed in the English language and customarily published on each Business Day, of general circulation in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

The term “Rating Agency” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or its successors and assigns or, if such corporation shall be

dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized rating agency selected by the Developer and acceptable to both the Issuer and the Credit Facility Provider.

The term “Rebate Amount” with respect to the Bonds, shall mean the amount of rebatable arbitrage computed in accordance with the Code.

The term “Rebate Analyst” shall mean a certified public accountant, law firm or other financial institution experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, acceptable to the Issuer and retained by the Developer to make the computations and give directions required under the Tax Certificate with respect to the Bonds.

The term “Rebate Analyst Fee” shall mean the annual fee of the Rebate Analyst.

The term “Rebate Fund” shall mean the fund by that name created and established pursuant to Section 5.07 hereof.

The term “Record Date” shall mean, with respect to each Interest Payment Date before Conversion, the close of business on the Business Day before such Interest Payment Date, and with respect to any Interest Payment Date after Conversion, the close of business on the fifteenth (15th) day of the month (whether or not a Business Day) before such Interest Payment Date.

The term “Regulatory Agreement” shall mean the Regulatory Agreement required to be executed, delivered and recorded with respect to the Project pursuant to Section 5.7 of the Loan Agreement, as amended from time to time.

The term “Remarketing Agent” shall mean Banc of America Securities LLC, or such other remarketing agent as shall hereafter be appointed in accordance with Section 8.12 hereof.

The term “Remarketing Agreement” shall mean the Remarketing Agreement, dated as of December 1, 2000, between the Developer and the Remarketing Agent, and any similar substitute or additional such agreement providing for the remarketing of the Bonds, in each case as supplemented or amended from time to time.

The term “responsible officer” of the Trustee shall mean and include the chairman of the board of directors, the president, the general manager, every vice president, every assistant vice president, the cashier, every assistant cashier, every trust officer, and every officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

The term “Revenues” shall mean all amounts pledged hereunder to the payment of principal of, premium, if any, and interest on the Bonds, consisting of the following: (i) all moneys drawn by the Trustee under the Credit Facility, (ii) any portion of the net proceeds of the Bonds deposited with the Trustee under Section 5.02 hereof, (iii) any income earned on investments pursuant to Section 5.03 hereof, and (iv) any repayments of the Loan required to be made by the Developer pursuant to Section 4.2(a) of the Loan Agreement; but such term shall not include payments to

the Issuer, the Administrator or the Trustee pursuant to Sections 4.2(b), 4.2(c), 7.3, 9.2 and 9.3 of the Agreement or Section 8.06 hereof or Section 11(b) of the Regulatory Agreement.

The term “Series F Bond” shall mean any of the Bonds of the Issuer designated as provided in Section 2.01(a), authorized and issued hereunder in the Authorized Amount.

The term “Servicer” shall mean the eligible servicing institution designated by the Credit Facility Provider from time to time (which may be the Credit Facility Provider if the Credit Facility Provider elects to service the Loan), or its successor as servicer of the Loan. Initially, _____ shall serve as Servicer.

The term “Substitution Date” shall mean, prior to the Conversion Date, the date of delivery of a substitute Credit Facility except that the term “Substitution Date” shall not include the date of delivery of a substitute Credit Facility of the issuer of the Credit Facility then in effect and delivered to the Trustee prior to the expiration of the Credit Facility then in effect.

The term “supplemental indenture” or “indenture supplemental hereto” shall mean any indenture hereafter duly authorized and entered into between the Issuer and the Trustee in accordance with the provisions of this Indenture.

The term “Tax Certificate” means the Tax Certificate and Agreement, executed and delivered by the Issuer and the Developer, containing various representations, warranties and covenants intended to demonstrate that the interest on the Series F Bonds is excludable under Section 103 of the Code from the gross incomes of the owners thereof for federal income tax purposes and to maintain such excludability from gross income.

The term “Tender Agent” means the Tender Agent appointed in accordance with Section 8.17.

The term “Tender Notice” shall mean a notice of demand for purchase of Bonds given by any Bondholder pursuant to Section 2.02 hereof.

The term “Trustee” shall mean U.S. Bank National Association, a national banking association organized under the laws of the United States of America, or its successor for the time being as Trustee hereunder.

The term “Variable Rate” shall mean the interest rate borne by the Bonds until Conversion, determined in accordance with Section 2.01(d) hereof.

The terms “Written Consent,” “Written Demand,” “Written Direction,” “Written Election,” “Written Notice,” “Written Order,” “Written Request” and “Written Requisition,” of the Issuer shall mean, respectively, a written consent, demand, direction, election, notice, order, request or requisition signed on behalf of the Issuer by an Authorized Issuer Representative.

Section 1.02. Rules of Construction.

- (a) The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires.

The use herein of a pronoun of any gender shall include correlative words of the other genders.

- (b) All references herein to “Articles,” “Sections” and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of this Indenture as originally executed; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.
- (c) The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

Section 1.03. Content of Certificates and Opinions. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture or the Agreement shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate or opinion made or given by an officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion made or given by counsel may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Issuer), upon the certificate or opinion of or representations by an officer of the Issuer, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

ARTICLE II

THE BONDS

Section 2.01. Authorization and Terms of Bonds.

- (a) Authorization. There are hereby authorized to be issued bonds of the Issuer designated as “The Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F” in the aggregate principal amount of the Authorized Amount. Additional

Bonds may be issued in accordance with the provisions of Section 2.08 hereof. Any Bonds delivered on or after Conversion shall be designated "The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project)," with the same year and series designation as the Bonds replaced with such Bonds. No Bonds may be issued hereunder except in accordance with this Article. The maximum principal amount of Bonds which may be issued and outstanding under this Indenture is not limited, but the aggregate principal amount of the Initial Series of Bonds which may be issued and outstanding shall not exceed the Authorized Amount, exclusive of Bonds executed and authenticated as provided in Section 2.07.

- (b) General Terms. Any Bonds delivered before Conversion shall be in substantially the form set forth in Exhibit A hereto, and any Bonds delivered on or after Conversion shall be in substantially the form set forth in Exhibit B hereto, in each case with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture, including any supplemental indenture. If appropriate, the provisions shown on said Exhibit A or said Exhibit B as appearing on the back of the Bonds may be inserted in place of the paragraph referring to such provisions. The Bonds shall be issuable only as fully registered Bonds, without coupons; in denominations of \$100,000 or any integral multiple thereof until Conversion, or \$5,000 or any integral multiple thereof on and after Conversion, and shall be numbered from 1 upward in the order of their authentication. The Initial Series of Bonds shall be dated as of the date of the first authentication and delivery of the Bonds, and all Bonds shall mature on March 1, 2033, shall bear interest payable on each Interest Payment Date at the rate per annum determined from time to time as hereinafter in this Section provided, and shall be subject to redemption prior to maturity as provided in Article IV. Each Bond shall bear interest from the date to which interest has been paid on the Bonds next preceding the date of its registration, unless it is registered as of an Interest Payment Date for which interest has been paid or after the Record Date in respect thereof, in which event it shall bear interest from such Interest Payment Date, or unless it is registered before the Record Date for the first Interest Payment Date, in which event it shall bear interest from its date.
- (c) Payment. Both the principal and redemption price, including any premium, of the Bonds shall be payable in lawful money of the United States of America at the Principal Office of the Trustee. Payment of the interest on any Bond shall be made in like lawful money to the person appearing on the bond registration books of the Trustee as the registered owner thereof on the applicable Record Date, such interest to be paid by check mailed to the registered owner at its address as it appears on such registration books or at such address as it may have filed with the Trustee for that purpose, except that before Conversion, the Trustee will, at the request of any registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, make payments of interest on such Bonds by wire transfer to the account designated by such owner to the Trustee in writing at least fifteen (15) days before the Record Date for such payments.

- (d) Interest Before Conversion. Until Conversion, interest on the Bonds will be payable on each Interest Payment Date and will be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed. For the Interest Accrual Period the Bonds commencing on _____, 2003 to and including Monday, _____, 2003 shall bear interest at the rate of _____% per annum. Thereafter, the annual rate of interest to be borne by the Bonds for each Interest Accrual Period until Conversion shall be the Variable Rate determined by the Remarketing Agent and reported to the Trustee and the Credit Facility Provider, as provided in Section 8.12 hereof, on the Interest Computation Date for such Interest Accrual Period; provided that the Variable Rate in effect on the Record Date for any Interest Payment Date shall remain in effect until and including the day before such Interest Payment Date, and any change in the Variable Rate which would otherwise take effect between such Record Date and such Interest Payment Date shall take effect on such Interest Payment Date. Any Bondholder may obtain information on the Variable Rate by request to the Trustee. The amount of interest paid on each Interest Payment Date for each \$100,000 principal amount of Bonds shall be determined by multiplying each different interest rate applicable to the Bonds during the preceding Interest Period by \$100,000, and with respect to each such rate multiplying the resulting product by the actual number of days elapsed during such Interest Period during which such rate was effective and dividing the resulting product by 365 or 366, as appropriate, and then totalling the respective such results for each such interest rate and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The Variable Rate determined by the Remarketing Agent on each Interest Computation Date shall be that rate of interest which, if borne by the Bonds, would, in its judgment having due regard to prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to produce as nearly as practicable a par bid (disregarding accrued interest) if Bonds were sold on such Interest Computation Date. In no event shall the Variable Rate at any time exceed twelve percent (12%) per annum unless and to the extent that there shall have been delivered to the Trustee a Credit Facility in an amount equal to the then outstanding principal amount of the Bonds plus interest thereon for a period of 35 days at such higher Variable Rate; provided that the maximum Variable Rate shall never exceed twenty percent (20% per annum); and provided further that the Variable Rate on any Bond shall never exceed the maximum rate of interest which may be charged or collected by the registered owner thereof pursuant to provisions of federal or state law applicable to such owner.

The determination of the Variable Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Issuer, the Trustee and the Remarketing Agent.

Notwithstanding the foregoing or any other provision of this Indenture or the Bonds, Purchased Bonds shall bear interest at the rate established pursuant to the Credit Agreement, provided that in no event shall any such rate exceed the maximum rate permitted by applicable law.

- (e) Conversion. The rate of interest on the Bonds may be established at a Fixed Rate on any Interest Payment Date in accordance with the procedures set forth in this paragraph (e). In order to effect Conversion, the Developer and the Credit Facility Provider will deliver a written notice to the Trustee, the Issuer, the Tender Agent and the Remarketing Agent specifying the Conversion Date, which shall be not less than

thirty (30) days after such notice is received by such parties. Such notice must be accompanied by (i) an opinion of Bond Counsel to the effect that Conversion in accordance with the provisions hereof is permitted by Law and will not adversely affect the exemption from federal income taxation of interest on the Bonds and (ii) an unconditional commitment to issue the Credit Facility to be in effect upon and after Conversion, together with accompanying documentation required by Section 5.8(b) of the Agreement.

The Trustee shall give notice to the owners of the Bonds, in the same manner that notices of redemption are given, not less than twenty (20) days before the Conversion Date, specifying: (i) that the interest rate on the Bonds will be established at the Fixed Rate and the date the Fixed Rate will become effective; (ii) the formula for determining the Fixed Rate, the date such rate will be determined and the procedure for informing Bondholders of the Fixed Rate; (iii) that after Conversion interest shall be payable from the Conversion Date on each March 1 and September 1, commencing on the next March 1 or September 1 after the Conversion Date; (iv) that after the Conversion Date, a substitute Credit Facility may be provided at any time, subject to the limitations and requirements set forth in the Loan Agreement, and that no owner of Bonds will have the right to demand purchase of the Bonds by the Trustee or Tender Agent; (v) that all outstanding Bonds not tendered for purchase at least seven (7) days before the Conversion Date will be deemed to have been so tendered and shall, unless remarketed, be purchased on the Conversion Date at a price equal to the principal amount thereof plus interest accrued to such date; and (vi) that all Bonds must either be surrendered to the Tender Agent for purchase or be delivered to the Trustee for exchange for new Bonds stating the Fixed Rate, in each case not later than the Conversion Date.

Any Bond not tendered for purchase at least seven (7) days before the Conversion Date shall be deemed to have been tendered for purchase pursuant to Section 2.02 hereof on the seventh (7th) day before the Conversion Date for all purposes of this Indenture, including particularly Article VIII hereof.

Any Bond tendered pursuant to the provisions of Section 2.02 hereof from the date notice of Conversion is given through the Conversion Date, or deemed to have been so tendered as described in the next preceding paragraph, shall not be remarketed except to a purchaser who agrees at the time of such purchase to accept the Fixed Rate after the Conversion Date. Bonds remarketed as aforesaid shall remain outstanding as Bonds bearing the Fixed Rate, and all other Bonds shall be purchased as provided in Section 8.15.

Upon Conversion, the Trustee shall cause to be prepared, at the expense of the Developer, new Bonds in the form set forth in Exhibit B hereto and stating the Fixed Rate. Any such Bonds shall be executed and authenticated as provided in Section 2.03, and shall be delivered to Bondholders without charge in exchange for any outstanding Bonds containing provisions relating to the Variable Rate.

If for any reason Conversion shall fail to occur, (i) the Bonds shall nevertheless be purchased on the proposed Conversion Date and the holders of the Bonds shall have no right to retain such Bonds, (ii) the Bonds shall continue to bear interest at a Variable Rate, and (iii) the Remarketing Agent shall remarket the Bonds in accordance with Section 8.14.

- (f) Interest After Conversion. After Conversion and until maturity, the Bonds will bear interest at the Fixed Rate, payable on May 1 and November 1 of each year, commencing on the Interest Payment Date next following the Conversion Date, computed on the basis of a 360-day year of twelve 30-day months. The Fixed Rate

determined by the Remarketing Agent on the date specified in the notice from the Credit Facility Provider and the Developer referred to in subsection (e) of this Section shall be that rate, approved by the Credit Bank and the Developer, which, in the judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, would be required, but would not exceed the rate which would be required, to be borne by the Bonds in order for the market value of the Bonds on such date to be 100% of the principal amount thereof (disregarding accrued interest). The determination of the Fixed Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Issuer, the Trustee and the Remarketing Agent. The Trustee shall, upon request of any Bondholder, notify such Bondholder of the Fixed Rate to be in effect on and after the Conversion Date.

Section 2.02. Demand for Purchase. Any Bond or \$100,000 units of principal amount thereof shall (unless remarketed pursuant to Section 8.14 hereof) be purchased, from the sources prescribed in Section 8.15 hereof, on any Business Day until and including the Conversion Date, on demand of the registered owner of such Bond, at a Purchase Price equal to the principal amount thereof, or of any \$100,000 units thereof purchased, plus interest accrued thereon, if any, to the date of purchase, upon (a) delivery to the Tender Agent, acting as agent on behalf of the Trustee, with a copy to the Trustee and the Remarketing Agent, of a written notice in the form set forth as Exhibit C hereto (a "Tender Notice") which states (i) the principal amount of such Bond for which payment is demanded, and (ii) the date on which such Bond or \$100,000 units of principal amount thereof shall be purchased pursuant to this Section 2.02 (the "Demand Date"), which date shall be a Business Day not prior to the seventh (7th) day next succeeding the date of the receipt of the Tender Notice by the Tender Agent; and (b) delivery to the Tender Agent, at or prior to 9:30 a.m., New York time, on the Demand Date, of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) and, in the case of a Bond or \$100,000 units of principal amount thereof to be purchased prior to any Interest Payment Date.

Payment of the Purchase Price of any Bond delivered as provided above shall be made by check or by wire transfer, as designated in the Tender Notice with respect to such Bond, but only upon delivery and surrender of such Bond and due-bill check, if any, to the Tender Agent on the Demand Date.

Anything herein to the contrary notwithstanding, no Bonds shall be purchased pursuant to this Section or remarketed pursuant to Section 8.14 if an Event of Default hereunder other than an Event of Default under Section 7.01(d) shall have occurred and be continuing, or, except as provided in the last two paragraphs of this Section 2.02, if all of the Bonds shall have been called for redemption, and no Bonds shall be purchased pursuant to this Section or remarketed pursuant to Section 8.14 after the Conversion Date; nor shall any Bond be purchased pursuant to this Section if such Bond is a Pledged Bond or is registered in the name of the Issuer or the Developer or known by the Trustee to be registered in the name of any nominee of the Issuer or the Developer.

On the seventh (7th) day before the Conversion Date, the Trustee shall notify the Tender Agent by telephone, promptly confirmed in writing, of the principal amount of Bonds deemed to have been tendered for purchase on the Conversion Date as provided in Section 2.01(e), and such notice from the Trustee shall be treated as a Tender Notice for all purposes of this Indenture, including this Section and Article VIII hereof, whether or not the Bonds referred to therein are delivered to the Tender Agent; provided that payment of the Purchase Price of such Bonds shall be made only upon delivery and surrender thereof to the Tender Agent.

In the absence of written notice from the Issuer, the Developer or the Trustee, the Tender Agent shall be entitled to assume that any Bond tendered to it for purchase is entitled under this Indenture to be so purchased.

Section 2.03. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Issuer with the manual or facsimile signature of the Chair Pro Tem of its Board of Commissioners and the manual or facsimile signature of its Executive Officer-Clerk of the Board of Commissioners. The Bonds shall then be delivered to the Trustee or the Tender Agent for authentication by it. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or the Tender Agent or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the Issuer as though the officers who signed the same had continued to be such officers of the Issuer. Also, any Bond may be signed on behalf of the Issuer by such persons as on the actual date of the execution of such Bond shall be the proper officers although on the nominal date of such Bond any such person shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A or Exhibit B hereto, executed by the Trustee or the Tender Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee or the Tender Agent shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.04. Transfer and Exchange of Bonds. Any Bond may, in accordance with the terms of this Indenture, be transferred, upon the books of the Trustee required to be kept pursuant to the provisions of Section 2.05, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Trustee, accompanied by a written instrument of transfer in a form acceptable to the Trustee, duly executed. Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of the same series of other authorized denominations. Whenever any Bond shall be surrendered for transfer or exchange, the Issuer shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same series, for a like aggregate principal amount.

The Trustee shall require the payment by the Bondholder requesting any such transfer or exchange of any tax, fee or other governmental charge required to be paid with respect to such

transfer or exchange, and may, in connection with any exchange, collect a charge equal to a customary fee charged by the Trustee for such exchange, but any such transfer or exchange shall otherwise be made without charge to the Bondholder requesting the same; provided that any Bond containing provisions relating to the Variable Rate may, on or after the Conversion Date, be surrendered in exchange for a Bond or Bonds of the same series, for a like aggregate principal amount, stating interest at the Fixed Rate, and any such exchange shall be without charge to the holder of such Bond.

No transfer or exchange shall be required to be made of any Bonds called for redemption or of any Bonds during the ten (10) days next preceding the giving of any notice of redemption.

Section 2.05. Bond Register. The Issuer hereby appoints the Trustee as registrar and authenticating agent and the Tender Agent as co-registrar and co-authenticating agent for the Bonds; provided that the Tender Agent shall act as registrar and authenticating agent for purposes of demand for purchase pursuant to Section 2.02 hereof only. The Trustee and the Tender Agent as such registrars will keep or cause to be kept at their respective principal offices sufficient books for the transfer of the Bonds, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Trustee and the Tender Agent as such registrars shall, under such reasonable regulations as they may prescribe, transfer or cause to be transferred, on said books, Bonds as hereinbefore provided.

Section 2.06. Temporary Bonds. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Issuer and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Issuer and be authenticated and registered by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Issuer issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.07. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Issuer, at the expense of the holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bonds so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Issuer. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Issuer and the Trustee, and if such evidence is satisfactory to them and indemnity satisfactory to them shall be given, the Issuer, at the expense of the holder, shall execute, and the Trustee shall thereupon

authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond the Trustee on behalf of the Issuer may pay the same without surrender thereof). The Issuer may require payment of a reasonable fee for each new Bond delivered under this Section and payment of the expenses which may be incurred by the Issuer and the Trustee. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Issuer whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.08. Additional Bonds. Additional Bonds may be issued for the purposes set forth in Section 3.6 of the Loan Agreement. The Issuer and the Developer may from time to time agree upon and approve the issuance and delivery of Additional Bonds in such amount as shall be determined by said parties as permitted by law in effect at the time thereof. All Additional Bonds shall rank pari passu with, and shall bear such interest rate or rates and have such interest payment dates, maturity dates, redemption dates and redemption premiums as, the Initial Series of Bonds, but shall bear such date or dates and be sold at such prices as shall be approved in writing by the Issuer and the Developer.

Upon the execution and delivery in each instance of appropriate supplements to this Indenture and to the Agreement, the Issuer shall execute Additional Bonds and deliver them to the Trustee, and the Trustee shall authenticate such Additional Bonds and deliver them to the purchasers as may be directed by the Issuer, as hereinafter in this Section provided. Prior to the authentication and delivery by the Trustee of any of such Additional Bonds there shall be delivered to the Trustee:

1. A written statement by an Authorized Developer Representative of the Developer approving (a) the issuance and delivery of such Additional Bonds and (b) any other matters to be approved by the Developer pursuant to Section 3.6 of the Loan Agreement and this Section.
2. A Certified Resolution of the Issuer authorizing the execution and delivery of such supplement to the Loan Agreement and such supplemental indenture and the issuance of such Additional Bonds.
3. A Certificate of the Issuer stating that all conditions precedent provided for in this Indenture relating to the issuance of such Additional Bonds have been complied with, that no Event of Default with respect to the Initial Series of Bonds or any Additional Bonds outstanding has occurred and is continuing and that the issuance of such Additional Bonds will not be or result in an Event of Default or an event or condition which, upon the giving of notice (or the acquisition of knowledge) or the lapse of time or both, would become an Event of Default.

4. A Written Order of the Issuer to the Trustee to authenticate and deliver such Additional Bonds to the purchasers therein identified upon payment to the Issuer of a sum specified in such Written Order.

5. An opinion of Bond Counsel to the effect that the issuance and sale of the Additional Bonds is permitted by this Indenture and will not result in interest on either the Initial Series of Bonds or the Additional Bonds becoming includable in the gross income of the holders thereof for federal income tax purposes.

6. Original executed counterparts of the supplements to the Indenture and to the Loan Agreement.

7. A description of the facilities to be financed from the proceeds of such series of Additional Bonds.

8. The written consent of the Credit Facility Provider providing any Credit Facility to be outstanding upon and after the issuance of such Additional Bonds.

9. An additional or substitute Credit Facility, or an increase in the then outstanding Credit Facility, in an amount sufficient to satisfy the requirements of Section 5.8 of the Loan Agreement and otherwise complying with the requirements of said Section 5.8.

10. An additional or substitute Remarketing Agreement providing for the remarketing of such Additional Bonds.

The Trustee shall have the right to decline to authenticate and deliver any Additional Bonds under this Section 2.08 if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if the Trustee in good faith, by its Board of Directors or trustees, executive committee, or a trust committee of directors or trustees and/or vice presidents, shall determine that such action would expose the Trustee to personal liability to existing Bondholders.

Section 2.09. Mandatory Tender on Substitution Date. Prior to the Conversion Date, upon receipt of an irrevocable commitment to issue a substitute Credit Facility, except an irrevocable commitment to issue a substitute Credit Facility from the issuer of the Credit Facility then in effect upon the expiration of the Credit Facility then in effect, the Trustee shall send a notice to each Bondholder by first class mail, postage prepaid, not less than ten (10) days before the Substitution Date stating (i) that a substitute Credit Facility is anticipated to be delivered to the Trustee on the Substitution Date, (ii) the Substitution Date, and (iii) that all outstanding Bonds will be deemed to have been tendered for purchase and shall be purchased on the Substitution Date at the principal amount thereof, plus interest accrued to the Substitution Date, whether or not delivered to the Tender Agent for such purpose (except that the purchase price for such Bonds shall be paid only upon presentation and surrender thereof to the Tender Agent), and shall cease to accrue interest on the Substitution Date.

Section 2.10. Use of Depository. Notwithstanding any provision in this Indenture to the contrary:

- (a) the ownership of one fully registered Bond for each maturity of the Bonds shall be registered in the name of Cede & Co. (“Cede”), as nominee of The Depository Trust Company (“DTC”), New York, New York. The Bonds shall be held by the Trustee pursuant to DTC’s Fast Automated Securities Transfer (FAST) Program. Payments of interest on, principal of and any premium on the Bonds shall be made to the account of Cede on each payment date at the address indicated for Cede in the registration books of the Issuer kept by the Trustee by transfer of immediately available funds. DTC has represented to the Issuer that it will maintain a book-entry system in recording ownership interests of its participants (the “Direct Participants”), and the ownership interests of a purchaser of a beneficial interest in the Bonds (a “Beneficial Owner”) will be recorded through book entries on the records of the Direct Participants.
- (b) With respect to Bonds registered in the name of Cede, the Issuer, the Trustee, the Credit Facility Provider and the Tender Agent shall have no responsibility or obligation to any Direct Participant or to any Beneficial Owner of such Bonds. Without limiting the immediately preceding sentence, the Issuer, the Trustee, the Credit Facility Provider and the Tender Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Direct Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Direct Participant, Beneficial Owner or other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any Direct Participant, Beneficial Owner or other person, other than DTC, of any amount with respect to the principal or redemption price of, or any interest on, the Bonds or (iv) any consent given or other action taken by DTC as owner of the Bonds. The Issuer, the Trustee, the Credit Facility Provider, the Developer and the Tender Agent may treat DTC as, and deem DTC to be, the absolute owner of each Bond for all purposes whatsoever including (but not limited to) (i) payment of the principal or redemption price of, and interest on, each such Bond, (ii) giving notices of purchase or redemption and other matters with respect to such Bonds and (iii) registering transfers with respect to such Bonds. The Trustee shall pay the principal or redemption price of, and interest on, all Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer’s obligations with respect to such principal or redemption price, and interest, to the extent of the sum or sums so paid. No person other than DTC shall receive a Bond evidencing the obligation of the Issuer to make payments of principal or redemption price of, and interest on, the Bonds pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word “Cede” in this Indenture shall refer to such new nominee of DTC.
- (c) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable written notice to the Issuer, the

Trustee and the Tender Agent and discharging its responsibilities with respect thereto under applicable law.

- (ii) The Issuer, in its sole discretion and without the consent of any other person, or the Developer, with the consent of the Issuer, may terminate, upon provision of notice to the Trustee, the Credit Facility Provider and Tender Agent, the services of DTC with respect to the Bonds if the Issuer or the Developer determines that the continuation of the system of book-entry-only transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the Bonds or is burdensome to the Issuer, and shall terminate the services of DTC with respect to the Bonds upon receipt by the Issuer, the Trustee and the Tender Agent of written notice from DTC to the effect that DTC has received written notice from Direct Participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than 50% of the aggregate principal amount of the then Outstanding Bonds to the effect, that: (A) DTC is unable to discharge its responsibilities with respect to such Bonds; or (B) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the Beneficial Owners of such Bonds.
- (d) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(ii)(B) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(i) or subsection (c)(ii)(A) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found or which, in the opinion of the Issuer, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede as nominee of DTC. In such event, the Issuer shall issue and the Trustee shall transfer and exchange Bond certificates as requested by DTC or Direct Participants and confirmed by DTC of like principal amount, series and maturity, in Authorized Denominations to the identifiable Beneficial Owners in replacement of such Beneficial Owners' beneficial interests in the Bonds.
- (e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal or redemption price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the representation letter of the Issuer and the Trustee addressed to DTC with respect to the Bonds.
- (f) In connection with any notice or other communication to be provided to Bondowners pursuant to this Indenture by the Issuer, the Tender Agent or the Trustee with respect to any consent or other action to be taken by Bondowners, the Issuer, the Tender Agent, the Developer, the Credit Facility Provider or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of

such record date not less than 15 calendar days in advance of such record date to the extent the Trustee is reasonably able to do so.

- (g) Notwithstanding any provision herein to the contrary, the Issuer and the Trustee may agree to allow DTC, or its nominee, Cede, to make a notation on any Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption; provided, however, the Trustee shall incur no liability for any error or failure of DTC to make such notation, and the records of the Trustee shall be controlling.
- (h) Notwithstanding any provision herein to the contrary, so long as the Bonds are subject to a system of book-entry-only transfers pursuant to this Section, any requirement for the delivery of Bonds to the Trustee or the Tender Agent in connection with a mandatory tender shall be deemed satisfied upon the transfer, on the registration books of DTC, of the beneficial ownership interests in such Bonds tendered for purchase to the account of the Tender Agent, or a Direct Participant acting on behalf of the Tender Agent.
- (i) Notwithstanding any provision herein to the contrary, the services of DTC with respect to the Bonds shall be terminated during any period in which no Credit Facility is then in effect by reason of the provisions of Section 2.02 hereof. In such event, the Trustee shall cooperate with the Credit Facility Provider to effect the provisions of paragraph (d).
- (j) Notwithstanding anything to the contrary herein, Pledged Bonds shall not be held through the facilities of DTC.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01. Authentication and Delivery of Series F Bonds. Upon the execution and delivery of this Indenture, the Issuer shall execute the Series F Bonds and deliver them to the Trustee. Thereupon, without any further action on the part of the Issuer, the Trustee shall authenticate the Series F Bonds in an aggregate principal amount not exceeding the Authorized Amount, and shall deliver them to or upon the Written Order of the Issuer hereinafter mentioned.

Section 3.02. Application of Proceeds of Additional Bonds. Proceeds of any series of Additional Bonds shall be applied as provided in the Supplemental Indenture for such series of Bonds.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Circumstances of Redemption. The Bonds are subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:

- (a) [This paragraph reserved.]
- (b) The Bonds shall be subject to redemption in whole or in part on any Interest Payment Date, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, upon prepayment of the Loan in whole or in part, in an amount as nearly equal as possible to, but not exceeding, the amount of any Net Proceeds of insurance or condemnation awards not used to repair or replace the Project, or, until Conversion, the amount of any voluntary prepayments of principal of the Loan.
- (c) [This paragraph reserved.]
- (d) The Bonds shall be subject to redemption in whole at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, upon acceleration of the Loan in whole following an Acceleration Default or at the request or with the consent of the Credit Facility Provider following any other Event of Default under the Loan Agreement; provided that the Bonds shall not be subject to redemption with respect to an event of default under the Reimbursement Agreement if such event of default consists solely of failure to reimburse a draw on the Credit Facility to pay principal of the Bonds in connection with a purchase of such Bonds in lieu of redemption pursuant to Section 4.06 hereof.

Notwithstanding the foregoing, in the event that the Credit Facility Provider gives written notice of a purchase in lieu of redemption in accordance with Section 4.06, the Bonds shall not be redeemed and such Section 4.06 shall apply.

- (e) The Bonds shall be subject to redemption in whole, at a price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, on the date of expiration of any Credit Facility unless the Trustee receives a renewal or extension of or replacement for such Credit Facility meeting the requirements of Section 5.8 of the Loan Agreement or, in the case of Conversion pursuant to Section 2.01(e), an unconditional commitment to issue the Credit Facility to be in effect upon and after Conversion, in each case not less than thirty (30) days before the expiration of such Credit Facility.
- (f) The Bonds shall be subject to redemption after Conversion, in whole or in part on any Interest Payment Date, commencing five (5) years after the March 1 next following Conversion, in a principal amount equal to any voluntary prepayments of principal of the Loan, at a redemption price equal to the principal amount of Bonds redeemed, plus interest accrued thereon to the date fixed for redemption, plus a premium equal to 3% of such principal amount during the first twelve month period, commencing on March 1 and ending on the last day of February, that the Bonds are subject to such redemption, such premium to be reduced by 1% on each subsequent March 1 until it reaches zero percent.

The Trustee is hereby authorized and directed, and hereby agrees, to give notice of the call for redemption of Bonds at the times set forth in this paragraph, to fix the date for any such redemption within the periods prescribed by Section 4.03 hereof, and to redeem the Bonds so

called on the date so fixed by the Trustee and set forth in such notice. The Trustee shall give such redemption notice (i) in the case of redemption pursuant to (a), (b) or (f) above, following receipt from the Credit Facility Provider of notice of the amount of the Loan prepaid or to be deemed prepaid, as appropriate; (ii) in the case of redemption pursuant to (c) or (e) above, at the time required therefore pursuant to Section 4.03, without any further authorization or direction; and (iii) in the case of redemption pursuant to (d) above, as soon as practicable, but not more than five (5) days after receipt of an opinion of Bond Counsel indicating that an Acceleration Default has occurred and upon acceleration of the Loan by the Trustee on behalf of the Issuer or after receipt from the Credit Facility Provider of a request for or consent to acceleration of the Loan following any Event of Default under the Loan Agreement other than an Acceleration Default.

Section 4.02. Selection of Bonds for Redemption. When any redemption is made pursuant to any of the provisions of this Indenture and less than all of the outstanding Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed by lot, in any manner the Trustee deems fair, in whole multiples of \$100,000 until Conversion or in whole multiples of \$5,000 after Conversion. In no event shall Bonds be redeemed in amounts other than whole multiples of \$100,000 before Conversion or \$5,000 after Conversion. For purposes of redeeming Bonds in denominations greater than \$100,000 before Conversion or greater than \$5,000 after Conversion, as the case may be, the Trustee shall assign to such Bonds a distinctive number for each such principal amount and, in selecting Bonds for redemption by lot, shall treat such amounts as separate Bonds. The Trustee shall promptly notify the Issuer in writing of the numbers of the Bonds selected for redemption.

In selecting Bonds for redemption, the Trustee may treat Bonds tendered for purchase pursuant to Section 2.02 hereof and delivered pursuant to Section 8.16 hereof during the ten (10) days next preceding the giving of notice of any redemption of Bonds as though such purchase and delivery resulted in substitution of the new Bond delivered pursuant to Section 8.16 hereof for the purchased Bond in the redemption process and if the purchased Bond shall have been selected for redemption, then the new Bond delivered pursuant to Section 8.16 hereof shall be delivered with notice that it is subject to such redemption and shall be deemed to be the Bond so selected for redemption notwithstanding the notice period stated in Section 4.03 hereof.

Section 4.03. Notice of Redemption. Notice of redemption shall be given by the Trustee for and on behalf of the Issuer, by first class mail, not more than thirty (30) and not less than fifteen (15) days or, in the case of a redemption pursuant to Section 4.01(d), not more nor less than five (5) days prior to the redemption date, to the registered owner of each Bond called for redemption, at its address as it appears on the registration books or at such address as it may have filed with the Trustee for that purpose, but neither failure to mail such notice to any Bondholder nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds with respect to which no such failure or defect shall have occurred. Each notice of redemption shall state the redemption date, the place of redemption, the source of the funds to be used for such redemption, the principal amount and, if less than all, the distinctive numbers of the Bonds to be redeemed, and shall also state that the interest on the Bonds in such notice designated for redemption

shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Bonds the principal amount thereof to be redeemed, interest accrued thereon to the redemption date and the premium, if any, thereon (such premium to be specified).

Section 4.04. Partial Redemption of Bonds. Any Bond may be redeemed in whole or in part, but no part of any Bond shall be redeemed in an amount less than \$100,000 before Conversion or \$5,000 after Conversion. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, without charge to the owner thereof, a new Bond or Bonds of like series and maturity and of authorized denominations designated by such owner equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price being held by the Trustee, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and the holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds fully redeemed pursuant to the provisions of this Article IV shall, upon the Written Order of the Issuer delivered to the Trustee, be either (a) cancelled upon surrender thereof and delivered to the Issuer; or (b) destroyed by the Trustee, which shall thereupon deliver to the Issuer a certificate evidencing such destruction.

Section 4.06. Purchase of Bonds by Credit Facility Provider. Notwithstanding anything to the contrary provided in this Indenture, if the Bonds shall become subject to redemption in whole pursuant to Section 4.01 of this Indenture, all (but not less than all) the Bonds shall either (a) be redeemed in accordance with Section 4.01, or (b) be purchased in lieu of redemption pursuant to this Section, if the Credit Facility Provider shall have given written notice to the Trustee with a copy to the Authority and the Remarketing Agent not later than 12:00 noon, New York City time, on or before the Business Day immediately preceding the date otherwise scheduled for such redemption, to the effect that the Credit Facility Provider desires that the Bonds be purchased and not redeemed. If such notice is given by the Credit Facility Provider, then (1) such date otherwise scheduled for redemption shall be the Purchase Date for all purposes hereof, (2) the Bonds shall not be redeemed but shall be purchased at a purchase price equal to the principal amount thereof plus accrued interest or interest due thereon, if any, on such Purchase Date by the Trustee, for the account of the Credit Facility Provider, by a drawing on the Credit Facility, and shall be delivered to and held by the Trustee, and (3) after the consummation of the purchase of the Bonds in accordance with this Section 4.06, the rights of the holders of the Bonds and the benefits and security of this Indenture shall not be adversely affected by the giving of any notice of redemption pursuant to Section 4.03 hereof. On the Purchase Date, the

holders of the Bonds shall deliver to the Trustee their Bonds and any other documents required to be so delivered pursuant to this Indenture. Concurrently with the Credit Facility Provider's purchase of the Bonds, the Trustee shall, at the request of the Credit Facility Provider and in accordance with the terms of the Credit Facility, surrender the Credit Facility to the Credit Facility Provider, together with any documents reasonably requested by the Credit Facility Provider authorizing it to cancel the same.

Anything to the contrary contained elsewhere in this Indenture notwithstanding, Purchased Bonds shall not be subject to tender for purchase or be remarketed by the Remarketing Agent to the public until there shall have been delivered to the Trustee an Alternate Credit Facility satisfying the requirements of this Indenture; provided, however, that for all purposes of this Indenture, and notwithstanding any provision to the contrary contained herein, no Alternate Credit Facility shall be required to be delivered so long as none of the Bonds are remarketed to the public. Until the Bonds are so remarketed, they shall be held only as one Bond registered either in the name of the Credit Facility Provider or in the name of another single holder which executes and delivers to the Authority and the Trustee an investor letter in the form set forth in Exhibit D hereto; provided that the Trustee shall not so register the Bonds in the name of the Credit Facility Provider or any other transferee unless (1) the Trustee shall have received such investor letter and either shall have confirmed that the same is in the form set forth in Exhibit D, without any modification thereto, or shall have received the Authority's acknowledgment that the form is acceptable to the Authority, provided, however, that the Credit Facility Provider shall not be required to deliver such investor letter; (2) the Credit Facility Provider or such other transferee shall have delivered to the Authority and the Trustee (i) a certificate to the effect that, except as identified in such certificate, no documents (other than the investor letter) have been or are expected to be executed by the Credit Facility Provider or such other transferee in connection with such transfer of the Bonds, and (ii) a certificate to the effect that, except as identified in such certificate, to the knowledge of the Credit Facility Provider or such other transferee no documents have been or are expected to be executed by the Developer in such connection; and (3) if in either case any such other documents have been or are expected to be executed, there shall be delivered to the Authority and the Trustee an opinion of Bond Counsel to the effect that the execution, delivery and operation of such documents will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. The Trustee shall deliver copies of any such investor letter, certificates and opinion to the Remarketing Agent.

Section 4.07. Purchased Bonds.

- (a) Bonds for which the purchase price is funded with moneys provided under the Credit Facility and which are not remarketed in accordance with the Remarketing Agreement shall be deemed to be Purchased Bonds. The Credit Facility shall not constitute security for or provide liquidity for Purchased Bonds.
- (b) Purchased Bonds shall be owned by the Developer and pledged to the Custodian under the Pledge Agreement for the benefit of the Credit Facility Provider pursuant to the Pledge Agreement. As set forth in Section 2.3 of the Pledge Agreement, the Tender Agent shall either (i) ensure that Purchased Bonds are delivered to the Custodian under the Pledge Agreement or (ii) if, and only if, delivery of the Bonds is

not possible, deliver a written entitlement order to the applicable financial intermediaries on whose records ownership of the Purchased Bonds is reflected directing the intermediaries to credit the security entitlement to the Purchased Bonds to the account of the Custodian for the benefit of the Credit Facility Provider and deliver to the Custodian a written confirmation of such credit, whether or not the Developer notifies the Remarketing Agent to do so.

- (c) Failure to pay interest on Purchased Bonds when due or failure to pay principal and interest on Purchased Bonds, whether at maturity, upon redemption or purchase or otherwise, shall not constitute an Event of Default. Upon the maturity, date of redemption or date of acceleration, all Purchased Bonds shall be deemed canceled as provided in Section 4.08. Purchased Bonds shall also be canceled upon direction of the Credit Facility Provider.
- (d) At such time as Purchased Bonds are remarketed by the Remarketing Agent (i) the Trustee or the Tender Agent, as appropriate, shall remit the proceeds of the remarketing to the Credit Facility Provider to reimburse the Credit Facility Provider for amounts paid under the Credit Facility to purchase the Bonds, (ii) the Trustee or Tender Agent, as appropriate, upon receipt of notice from the Credit Facility Provider that it has received reimbursement for the amount provided under the Credit Facility (or notice from the Tender Agent that the Tender Agent has received funds that it will immediately remit to the Credit Facility Provider) and that the Credit Facility has been reinstated in accordance with its terms, the Custodian shall release all remarketed Purchased Bonds in accordance with Section 2.4 of the Pledge Agreement and (iii) the Trustee or the Tender Agent shall give written notice to the Remarketing Agent, the Developer and the Credit Facility Provider that such Bonds are no longer Purchased Bonds.
- (e) Purchased Bonds, if not remarketed or transferred as provided herein, shall be cancelled automatically by the Trustee on the date which is not later than five years from the date of purchase, unless an opinion of Bond Counsel is delivered to the Trustee to the effect that not canceling such Purchased Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Any purchase of Bonds hereunder is not intended as an extinguishment of the debt represented by the Bonds.

Section 4.08. Cancellation of Purchased Bonds. Upon a date on which all Bonds (other than Purchased Bonds) are redeemed or on a date on which all Bonds (other than Purchased Bonds) are presented to the Trustee for cancellation, all Purchased Bonds shall be cancelled. No further moneys shall be required to be paid by the Authority or the Credit Facility Provider in connection with such cancellation; provided, however, that such cancellation shall not release the obligation of the Developer to reimburse the Credit Facility Provider for payments made in respect of principal of, interest on or Purchase Price of the Bonds, including Purchased Bonds.

ARTICLE V

REVENUES

Section 5.01. Pledge of Revenues. All of the Revenues are hereby irrevocably pledged to the punctual payment of the principal of, premium, if any, and interest on the Bonds, subject to the provisions of this Indenture permitting the application of such Revenues for the purposes and on the terms and conditions set forth herein.

The Authority also hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the holders from time to time of the Bonds, all of its right, title and interest in the Loan Agreement (except for the right to receive fees, expenses and indemnification and its rights of enforcement thereunder).

All Revenues shall be held in trust for the benefit of the holders from time to time of the Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter in this Article V set forth.

The Bonds are limited obligations of the Issuer only and shall not constitute a general debt or liability, or a pledge of the faith and credit, of the Issuer or of the County of Los Angeles, the State of California or any agency or political subdivision thereof, but shall be payable solely from the funds herein provided therefor. The issuance of the Bonds shall not directly or indirectly or contingently obligate the Issuer, the County of Los Angeles, the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Section 5.02. Bond Fund. There is hereby created and established with the Trustee a separate trust fund which shall be designated the "Sand Canyon Bond Fund" (and is herein called the "Bond Fund"), which shall be applied only as provided in this Section.

The Trustee shall deposit in the Bond Fund from time to time, upon receipt thereof, (i) from the proceeds of sale of the Bonds, the amount set forth in Section 3.02 hereof; (ii) all amounts drawn by the Trustee under the Credit Facility as provided in Section 5.05 hereof; (iii) any income received from the investment of moneys held by the Trustee pursuant to this Indenture; and (iv) any other Revenues. Amounts drawn under the Credit Facility shall not be commingled with other moneys in the Bond Fund. Except as provided in Section 10.03, moneys in the Bond Fund shall be used solely for the payment of the principal of and premium if any, and interest on the Bonds as the same shall become due, whether at maturity or upon redemption or acceleration or otherwise or to reimburse the Credit Facility Provider for draws made on the Credit Facility for such purpose. In making such payments, the Trustee shall (a) first use amounts drawn by the Trustee under the Credit Facility; (b) then use income from the investment of moneys held hereunder; (c) then use any other Revenues received by the Trustee.

The Issuer hereby authorizes and directs the Trustee in accordance herewith to withdraw from the Bond Fund amounts sufficient to pay the principal of and premium, if any, and interest on the Bonds as the same become due and payable, at maturity or upon redemption or acceleration or otherwise, which authorization and direction the Trustee hereby accepts.

Section 5.03. Investment of Moneys; Arbitrage. Any moneys in any of the funds and accounts to be established by the Trustee pursuant to this Indenture shall be invested by the Trustee, if and to the extent then permitted by law, in Investment Securities, as directed in writing by the Developer. In the absence of such written direction, the Trustee shall invest in item (g) of the definition of Investment Securities. Moneys in any fund or account shall be invested in Investment Securities with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the date on which it is estimated that such moneys will be required by the Trustee. Amounts drawn under the Credit Facility shall not be invested. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with this Section 5.03.

Notwithstanding the preceding paragraph, amounts on deposit in the Principal Reserve Fund shall be invested and reinvested by the Trustee, as directed in writing by the Developer, in (i) non-AMT tax-exempt obligations rated in the highest short term rating category by Moody's Investors Service, Inc. or Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or (ii) with the approval of the Credit Facility Provider, Government Obligations which, in either case, shall mature or be subject to tender or redemption at par on or prior to the earlier of (1) thirty-five (35) days from the date of investment or (2) the date such moneys are needed for the purposes of the Credit Agreement.

The Trustee or any of its affiliates may act as sponsor, advisor or manager, in connection with any investments made by the Trustee hereunder.

For the purpose of determining the amount in any fund or account, all Investment Securities credited to such fund or account shall be valued at cost (which shall be (1) measured exclusive of accrued interest after the first payment of interest following purchase and (2) ratably increased over time by the amortization of any difference between the initial purchase price, excluding accrued interest, and the par value).

Any interest, profit or loss on such investments shall be credited or charged to the respective funds or accounts from which such investments are made. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption.

The Issuer (and the Developer by its execution of the Loan Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Developer the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Developer will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Developer and the Issuer (if requested by the Issuer) periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investment made by the Trustee hereunder.

Section 5.04. Assignment to Trustee; Enforcement of Obligations. The Issuer hereby transfers, assigns and sets over to the Trustee, for the benefit of the Bondholders, and the Trustee hereby accepts, all of the Revenues, all moneys at any time held in any fund hereunder and any and all rights and privileges the Issuer has under the Agreement, except the Issuer's right to receive payments under Sections 4.2(c), 7.3, 9.2 and 9.3 of the Agreement, and except the right of the Issuer to enforce certain covenants of the Developer relating to the tax-exempt status of the Bonds, but including, without limitation, the right to collect and receive directly all of the Revenues and the right to hold and enforce any security interest; and any Revenues or other amounts payable to the Trustee hereunder or under the Agreement which are collected or received by the Issuer shall be deemed to be held, and to have been collected or received, by the Issuer as the agent of the Trustee, and shall forthwith be paid by the Issuer to the Trustee. The Trustee also shall be entitled to and shall, at the direction of the Issuer take all steps, actions and proceedings reasonably necessary in its judgment (1) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under, the Agreement and the Credit Facility and (2) to assure compliance with all covenants, agreements and conditions on the part of the Issuer contained in this Indenture with respect to the Revenues.

The Trustee shall establish a separate trust fund which shall be designated the "Sand Canyon Ranch Issuer Fee Fund" (herein called the "Issuer Fee Fund") and shall deposit amounts paid by the Developer or the Servicer on behalf of the Developer to the Trustee pursuant to Section 4.2(c)(ii) of the Agreement into such fund. Amounts in the Issuer Fee Fund shall be remitted to the Issuer or the Administrator upon requisition by the Issuer.

Section 5.05. Credit Facility. The Issuer hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to draw on the Credit Facility in accordance with its terms, in order to receive payment thereunder on the following dates in the following amounts:

- (a) On each Interest Payment Date, in an amount which will be sufficient to pay the interest due and payable on such Interest Payment Date on all outstanding Bonds;
- (b) On any date fixed for redemption of Bonds, in an amount which will be sufficient to pay the redemption price, including accrued interest and any applicable redemption premium, of the Bonds called for redemption on such date;
- (c) On the date fixed for payment of the Bonds in connection with any declaration of the acceleration of the maturity of the Bonds following an Event of Default, as provided in Section 7.01 hereof, in an amount which will be sufficient to pay all principal and interest due on the Bonds as a result of such declaration on the date fixed for such payment;
- (d) On each Demand Date, in an amount sufficient to pay the purchase price of any Bonds tendered pursuant to Section 2.02 hereof and not remarketed pursuant to Section 8.14 hereof; and

- (e) On the final maturity date of the Bonds, in an amount which, together with available amounts in the Bond Fund (including amounts drawn pursuant to paragraph (a) above), will be sufficient to pay the principal amount of all outstanding Bonds on such final maturity date.

Each such drawing other than pursuant to (d) above shall be made on the Business Day prior to the Business Day on which payment of the amount of such drawing is required to be made to the holders of the Bonds pursuant to this Indenture and not later than 12:00 p.m. Washington D.C. time on such Business Day. Each such drawing pursuant to (d) above shall be made on the Business Day on which payment of the amount of such drawing is required to be made to the holders of the Bonds pursuant to the Indenture and not later than 11:00 a.m. Washington D.C. time on such Business Day.

Notwithstanding (a) above, the Trustee shall not draw on the Credit Facility to pay interest due to Banc of America Securities LLC on the _____, 2003 Substitution Date. Such interest shall be paid from amounts paid by the Developer pursuant to Section 4.2(a) of the Agreement. Any provision of this Section 5.05 notwithstanding, if the Credit Facility provides for different draw times that still permit timely payment when due of the purchase price and the principal of and interest on the Bonds as determined by the Trustee, the Trustee shall draw on the Credit Facility in accordance with the times stated therein and otherwise in accordance with its terms.

The Credit Facility shall not be drawn upon to pay the principal of or interest on any Pledged Bonds or Purchased Bonds.

The Trustee agrees to accept any Credit Facility conforming to the requirements of Section 5.8(a) of the Agreement which is delivered to the Trustee at any time before Conversion in substitution for the then outstanding Credit Facility, and to accept any Credit Facility conforming to the requirements of Section 5.8(b) of the Agreement which is delivered to the Trustee in connection with Conversion or which is delivered to the Trustee at any time after Conversion in substitution for the then outstanding Credit Facility. Upon acceptance of any such substitute Credit Facility, the Trustee shall surrender the superseded Credit Facility to the issuer thereof. The Trustee shall, not more than ten days after such acceptance of a substitute Credit Facility, mail Bondholders notice of such acceptance.

The Trustee shall give all required notices to the Credit Facility Provider in accordance with the provisions of the Credit Facility, including but not limited to notice of a substitute Credit Facility, notice of a successor Trustee, and notice of discharge or defeasance of this Indenture. Anything contained in this Indenture to the contrary notwithstanding, if a drawing occurs on the Credit Facility in connection with any purchase of Bonds in lieu of redemption pursuant to Section 4.06 hereof, and the Credit Facility Provider pays to the Trustee sufficient funds to purchase all of the Bonds, the Trustee shall upon request of the Credit Facility Provider promptly surrender such Credit Facility to the Credit Facility Provider for cancellation, together with any documents reasonably requested by the Credit Facility Provider authorizing it to cancel the same. The Trustee agrees to accept, subject to the terms of any supplemental indenture, if applicable, amending or supplementing the Indenture and Section 5.8 of the Loan Agreement, an Alternate Credit Facility in substitution for the then existing Credit Facility. Upon acceptance of any such Alternate Credit Facility, the Trustee shall surrender the superseded Credit Facility then existing

to the issuer thereof and the Trustee shall provide written direction to such issuer to terminate the superseded Credit Facility. The Trustee shall give notice of such substitution to Bond Owners (with a copy to the Authority) by first class mail as soon as practicable after, but in no event more than ten (10) days after, the Trustee accepts such substitution.

The Trustee and the Issuer may, without the consent of, or notice to, any of the Bond Owners, enter into any amendment, change or modification of the Credit Facility, with a written confirmation from each rating agency then rating the Bonds of the then existing rating on the Bonds delivered to the Trustee and the Authority, (a) as may be required by the provisions of the Credit Facility (including but not limited to Section 3.4(b) of the Credit Facility), (b) to cure any ambiguity or formal defect or omission in the Credit Facility, (c) in a manner which is not prejudicial to the interests of the Bond Owners (which shall be conclusively evidenced by an opinion of bond counsel delivered to the Trustee), or (d) as may be required to maintain the then current rating on the Bonds.

Section 5.06. Principal Reserve Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the “Principal Reserve Fund.” There shall be deposited into the Principal Reserve Fund that portion of the monthly payments made by the Developer in accordance with the Principal Reserve Schedule and designated for deposit to the Principal Reserve Fund as required by the Credit Agreement. Any interest earned on or profits realized from amounts on deposit in the Principal Reserve Fund shall be deposited into the Principal Reserve Fund and, provided that there is no deficiency in the Principal Reserve Fund, the Cap Fee Escrow (as defined in the Credit Agreement) or the Rebate Fund, and that no Event of Default exists under any of the Mortgage Loan Documents (as defined in the Credit Agreement), shall be paid to the Developer on the Interest Payment Date next succeeding receipt of such interest or profits by the Trustee. For purposes of the preceding sentence, the Trustee shall assume that no deficiency in the Principal Reserve Fund or the Cap Fee Escrow exists and that no Event of Default exists under any of the Mortgage Loan Documents, unless the Trustee shall have received written notice of such deficiency or default from or on behalf of the Credit Facility Provider. In addition, remarketing proceeds shall be deposited in the Principal Reserve Fund and used to reimburse the Credit Facility Provider in an amount equal to the amount of any Liquidity Advance (as defined in the Credit Facility) paid to the Trustee to purchase Bonds on any Demand Date when such Bonds are subsequently remarketed. Amounts on deposit in the Principal Reserve Fund shall be applied as directed in writing by the Credit Facility Provider in accordance with the Credit Agreement.

Section 5.07. Rebate Fund.

- (a) The Issuer hereby directs the Trustee to establish and maintain so long as any of the Bonds are Outstanding a separate fund to be known as the Rebate Fund.
- (b) The Trustee is authorized and directed to receive and hold in the Rebate Fund the deposit of the Rebate Amount for the Bonds.

- (c) The Developer will cause the Rebate Amount to be determined in the manner provided in Section 148(f) of the Code, the Treasury Regulations relating to rebate and any other rules that may be promulgated thereafter by the Treasury Department or the Internal Revenue Service. The Developer shall, as and when required by the Code, determine or cause the Rebate Analyst to determine the Rebate Amount with respect to the Bonds and shall notify the Issuer and the Trustee of each such determination.
- (d) Records of each of the determinations required to be made pursuant to Section 5.07(c) shall be retained by the Trustee until a date which is six (6) years after the retirement of the Bonds. The Rebate Amount shall be paid to the United States by the Trustee on behalf of the Issuer from amounts deposited in the Rebate Fund by the Developer. If the amounts on deposit in the Rebate Fund are at any time insufficient to pay the applicable Rebate Amount when due, the Trustee shall immediately notify the Developer of such deficiency and shall request that the Developer remedy such deficiency. Under Section 5.6 of the Agreement, the Borrower has covenanted to fund the Rebate Fund as required by this Section.
- (e) The Trustee and the Issuer shall be fully protected in acting on any Rebate Amount determination made by the Developer or Rebate Analyst at any time and shall not be liable or responsible in any manner to any person for so acting, notwithstanding any error in any such determination. Under no circumstances whatsoever shall the Trustee or Issuer be liable to any Owner or any other person for any loss of tax-exempt status of the Bonds, or for any claims, demands, damages, liabilities, losses, costs or expenses resulting thereto or in any way connected therewith, so long as the Trustee and the Issuer act in accordance with such determination. The Trustee shall not be liable for any failure to transfer funds to the Rebate Fund, unless such transfer is directed by the Indenture or the Trustee has received written instructions directing such transfer from the Developer or the Rebate Analyst.
- (f) Moneys and securities held by the Trustee in the Rebate Fund shall not be deemed funds of the Issuer and are not pledged or otherwise subject to any security interest in favor of the Owners to secure the Bonds or any other obligations.
- (g) Moneys in the Rebate Fund may be separately invested and reinvested by the Trustee, at the request of and as directed by the Developer, in Investment Securities, subject to the Code. The Trustee shall sell and reduce to cash a sufficient amount of such Investment Securities whenever the cash balance in the Rebate Fund is insufficient for its purposes.
- (h) Notwithstanding anything to the contrary in this Indenture, no payment shall be made by the Trustee to the United States if the Developer shall furnish an opinion of Bond Counsel to the effect that such payment is not required under Section 148(d) and (f) of the Code in order to maintain the exclusion from gross income of interest on the Bonds. In such event, the Developer shall be entitled to withdraw funds from the Rebate Fund to the extent an opinion of Bond Counsel is provided that such withdrawal will not adversely affect the exclusion from gross income of interest on

the Bonds. The Issuer and the Trustee shall be fully protected in relying upon the aforementioned opinion of Bond Counsel.

ARTICLE VI

COVENANTS OF THE ISSUER

Section 6.01. Payment of Principal and Interest. The Issuer shall punctually pay, but only out of Revenues as herein provided, the principal and the interest (and premium, if any) to become due in respect of every Bond issued hereunder at the times and places and in the manner provided herein and in the Bonds, according to the true intent and meaning thereof. When and as paid in full, all Bonds shall be delivered to the Trustee and shall forthwith be cancelled.

Section 6.02. Paying Agents. The Issuer, with the written approval of the Trustee and the Credit Facility Provider, may appoint and at all times have one or more paying agents in such place or places as the Issuer may designate, for the payment of the principal of, and the interest (and premium, if any) on, the Bonds. It shall be the duty of the Trustee to make such arrangements with any such paying agent as may be necessary to assure, to the extent of the moneys held by the Trustee for such payment, the availability of funds for the prompt payment of the principal of and interest and premium, if any, on the Bonds presented at either place of payment. The paying agent initially appointed hereunder is the Trustee.

Section 6.03. Preservation of Revenues; Amendment of Documents. The Issuer shall not take any action to interfere with or impair the pledge and assignment hereunder of Revenues and the assignment to the Trustee of rights of the Issuer under the Agreement, or the Trustee's enforcement of any rights hereunder or thereunder, shall not take any action to impair the validity or enforceability of the Agreement, and shall not waive any of its rights under or permit any amendment of the Agreement, without the prior written consent of the Trustee.

The Trustee may give such written consent, and may itself take any such action or consent to an amendment or modification to or replacement of the Agreement, the Credit Facility, the Credit Agreement, the Regulatory Agreement or any other document, instrument or agreement relating to the security for the Bonds, only if (i) such action or such amendments, modifications or replacements (a) are authorized or required by the terms of this Indenture or the Agreement, or (b) will not, in the opinion of the Trustee, which may be based on an Opinion of Counsel adversely affect the interests of the holders of the Bonds or result in any impairment of the security hereby given for the payment of the Bonds, or (c) have first been approved by the written consent of the holders of at least sixty percent (60%) in principal amount of the Bonds then outstanding; (ii) any such amendments or modifications or replacements will not have the effect of extending the time for payment or reducing the amount due and payable of any amount due and payable by the Credit Facility Provider under the Credit Facility; (iii) the Trustee shall have obtained the prior written approval of the Credit Facility Provider; provided that such approval of the Credit Facility Provider shall not be required if the Trustee shall have received an opinion of Bond Counsel to the effect that such action or such amendment, modification or

replacement is required to preserve the exemption of interest on the Bonds from federal income taxation or compliance by the Bonds and the Project with the Law; and (iv) the Trustee shall have first obtained an opinion of Bond Counsel to the effect that such action or such amendment, modification or replacement will not adversely affect the exemption of interest on the Bonds from federal income taxation or compliance by the Bonds and the Project with the Law.

Section 6.04. Compliance with Indenture. The Issuer shall not issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues in any manner other than in accordance with the provisions of this Indenture; it being understood that the Issuer reserves the right to issue obligations payable from and secured by sources other than the Revenues and the assets assigned herein. The Issuer shall not suffer or permit any default to occur under this Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements hereof. So long as any Bonds are outstanding, the Issuer shall not create or suffer to be created any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues, other than the lien of this Indenture.

Section 6.05. Further Assurances. Whenever and so often as requested so to do by the Trustee, the Issuer shall promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required, in order to further and more fully vest in the Trustee and the Bondholders all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Section 6.06. Tax Covenants.

- (a) The Issuer covenants and certifies to and for the benefit of the Owners of Bonds that so long as the Bonds remain Outstanding, moneys on deposit in the funds and accounts created hereunder, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other source, will not be used in any manner that would cause the Bonds to become arbitrage bonds within the meaning of Section 148 of the Code. Pursuant to such covenants, the Authority obligates itself to comply throughout the term of the Bonds with the requirements of Section 148 of the Code and any regulations promulgated thereunder and the Tax Certificate, which is incorporated herein by reference. Notwithstanding the foregoing, the Issuer's liability pursuant to this Section 6.06 is expressly limited as set forth in Section 5.01 hereof.
- (b) The Issuer shall take all actions necessary to assure the exclusion of interest on the Bonds from gross income of the Owners of the Bonds, and shall refrain from taking any actions that would adversely affect the exclusion of interest on the Bonds from gross income of the Owners of the Bonds.

ARTICLE VII

DEFAULT

Section 7.01. Events of Default; Acceleration; Waiver of Default. Each of the following events shall constitute an “Event of Default” hereunder:

- (a) failure to pay the principal of or premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;
- (b) failure to pay any installment of interest on any Bond when such interest installment shall become due and payable;
- (c) failure to pay the Purchase Price of any Bond tendered in accordance with the provisions of Section 2.02 hereof when such Purchase Price shall become due and payable; and
- (d) failure by the Issuer to perform or observe any other of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and the continuation of such failure for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer, the Developer and the Credit Facility Provider by the Trustee, or to the Issuer, the Credit Facility Provider and the Trustee by the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding.

No default specified in (d) above shall constitute an Event of Default unless the Issuer, the Developer and the Credit Facility Provider shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer, the Developer or the Credit Facility Provider within the applicable period and diligently pursued until the default is corrected. With regard to any alleged default concerning which notice is given to the Developer or the Credit Facility Provider under the provisions of (d) above, the Issuer hereby grants the Developer and the Credit Facility Provider full authority for account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution

During the continuance of an Event of Default, unless the principal of all the Bonds shall have already become due and payable, the Trustee may, and upon the occurrence of any Event of Default specified in (a), (b) or (c) above or upon the written request of the Credit Facility Provider or the holders of not less, than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding in the case of any other Event of Default, the Trustee shall, by notice in writing to the Issuer, the Credit Facility Provider and the Remarketing Agent, declare the principal of all the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be

immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration of acceleration the Trustee shall fix a date for payment of the Bonds, which date shall be as soon as practicable after such declaration, and on such date shall draw upon any then outstanding Credit Facility in accordance with its terms and apply the amount so drawn to pay on such date the principal of and interest on the Bonds so due and payable.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any drawing is made under the Credit Facility or any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal, and the reasonable expenses of the Trustee, its agents and counsel, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the holders of at least a majority in aggregate principal amount of the Bonds then outstanding, by written notice to the Issuer and to the Trustee and with indemnification satisfactory to the Trustee and with the written approval of the Credit Facility Provider, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Notwithstanding the foregoing, so long as there is no Credit Facility in effect hereunder, there shall never occur an Event of Default pursuant to subparagraph (i) of this Section with regard to the payment of any amounts due on any outstanding Bond. If there is an Event of Default under the Loan Agreement while there is no Credit Facility in effect hereunder, the Owner shall be entitled to direct the Trustee to accelerate the amount due with respect to the Project Loan and to cause a mandatory redemption of all Outstanding Bonds pursuant to Section 4.01(d) hereof at any time during the continuation of such Event of Default under the Loan Agreement. Upon such mandatory redemption of the Bonds, all Outstanding Bonds shall be redeemed as of the date of mandatory redemption as follows: Upon such redemption date, all of the Bonds shall cease to bear interest and the Owners shall have no further rights except to obtain the distribution of the proceeds of the funds and other assets pledged to the Bonds, and such deemed redemption shall constitute payment in full of the Bonds, notwithstanding that amounts so distributed may be insufficient to pay the outstanding principal amount of the Bonds and accrued interest thereon. The Trustee shall liquidate and distribute such funds and assets in accordance with Section 7.03 hereof.

By their acceptance of the Bonds while there is no Credit Facility in effect, the Owners hereby consent to the mandatory redemption as described above, and upon the completion of such redemption the Owners shall no longer look to the Issuer to receive payment of any principal of or interest on the Bonds or any other sums which may be due with respect to the Bonds, but shall look solely to the funds and other assets pledged to the Owners hereunder.

Section 7.02. Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the holders of a majority in principal amount of the Bonds then outstanding and, in the case of an Event of Default described in Section 7.01(d), upon the written request of the Credit Facility Provider, and upon being indemnified to its satisfaction therefor the Trustee shall, proceed to protect or enforce its rights or the rights of the holders of Bonds under the Law or under this Indenture, the Agreement and the Credit Facility, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder; provided that any such request from the Bondholders or the Credit Facility Provider shall not be in conflict with any rule of law or with this Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein. Notwithstanding the above, nothing herein shall cause the Trustee to delay in taking actions so required by this Indenture for the protection of the Bondholders.

Section 7.03. Application of Moneys Collected by Trustee. Any moneys collected by the Trustee pursuant to Section 7.02 shall be applied in the order following, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the Bonds and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: For payment of all amounts due to the Trustee under Section 8.06; provided that no amounts drawn under the Credit Facility shall be used for any such purposes, and the Trustee shall take into account such amounts payable to it in determining the amount otherwise available hereunder to pay amounts due on the Bonds before computing the amount necessary to be drawn under the Credit Facility.

Second: For deposit in the Bond Fund and applied to payment of the principal of all Bonds then due and unpaid and the premium, if any, and interest thereon; ratably to the persons entitled thereto without discrimination or preference; except that no payment of principal or premium or interest shall be made with respect to any Bonds registered in the name of the Issuer, the Developer or the Credit Facility Provider, or known by the Trustee to be registered in the name of any nominee of the Issuer, the Developer or the Credit Facility Provider, until all amounts due on all Bonds not so registered have been paid.

Section 7.04. Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee, of the Credit Facility Provider or of any holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence

therein, and every power and remedy given by this Article VII to the Trustee, to the Credit Facility Provider or to the holders of Bonds may be exercised from time to time and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Issuer, the Trustee, the Credit Facility Provider and the holders of the Bonds, severally and respectively, shall be restored to their former positions and rights hereunder in respect to the trust estate; and all remedies, rights and powers of the Issuer, the Trustee, the Credit Facility Provider and the holders of the Bonds shall continue as though no such proceedings had been taken.

Section 7.05. Remedies Cumulative. No remedy herein conferred upon or reserved to the Trustee, to the Credit Facility Provider or to any holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.06. Covenant to Pay Bonds in Event of Default. The Issuer covenants that, upon the happening of any Event of Default, the Issuer will pay to the Trustee upon demand, but only out of Revenues, for the benefit of the holders of the Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal and premium, or both, as the case may be, and all other sums which may be due hereunder or secured hereby, including reasonable compensation to the Trustee, its agents and counsel, and any expenses or liabilities incurred by the Trustee hereunder. In case the Issuer shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, and upon being indemnified to its satisfaction shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Revenues and any other assets pledged, transferred or assigned to the Trustee under Section 5.04 as herein provided and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of this Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture.

Section 7.07. Trustee Appointed Agent for Bondholders. The Trustee is hereby appointed the agent and attorney of the holders of all Bonds outstanding hereunder for the purpose of filing any claims relating to the Bonds.

Section 7.08. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the written request of the holders of a majority in principal

amount of the Bonds then outstanding or, in the case of an Event of Default described in Section 7.01(d), upon the written request of the Credit Facility Provider, it shall have full power, in the exercise of its discretion for the best interests of the holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Credit Facility Provider and by the holders of at least a majority in principal amount of the Bonds outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 7.09. Limitation on Bondholders' Right to Sue. No holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the holders of at least a majority in aggregate principal amount of all the Bonds then outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any holder of Bonds of any remedy hereunder; it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by its or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all holders of the outstanding Bonds.

The right of any holder of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond out of Revenues, as herein and therein provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder, notwithstanding the foregoing provisions of this Section or Section 7.08 or any other provision of this Indenture.

Section 7.10. Limitation of Liability to Revenues. Notwithstanding anything in this Indenture contained, the Issuer shall not be required to advance any moneys derived from the proceeds of taxes collected by the County of Los Angeles or by the State of California or by any political subdivision thereof or from any source of income of any of the foregoing other than the Revenues, for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on

the Bonds or for any other purpose of this Indenture. The Bonds are limited obligations of the Issuer, and are payable from and secured by the Revenues only.

Section 7.11. Notice of Default. If a default occurs of which the Trustee is by Section 8.01(c) hereof required to take notice or if notice of default be given as in said Section 8.01(c) provided, the Trustee shall (i) unless the Trustee received notice thereof from the Credit Facility Provider, immediately give telephonic notice thereof to the Developer and the Credit Facility Provider, with written confirmation of such notice to follow within three (3) Business Days thereafter, and (ii) within fifteen (15) days thereafter (unless such default is cured or waived), give notice of such default to each registered owner of Bonds then outstanding; provided that, except in the case of a default in the payment of the principal of, premium, if any, or interest on any Bond, the Trustee may withhold such notice to the Bondholders if and so long as the Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders; and provided further that, in the case of any default of the character specified in Section 7.01(d), no such notice to the Bondholders shall be given until at least thirty (30) days after notice thereof is received by the Trustee.

Section 7.12. No Default. So long as there is no Credit Facility in effect hereunder, there shall never occur an Event of Default pursuant to Section 7.01(a), (b) or (c) hereof with regard to the payment of principal of or interest on any outstanding Bond. If there is an Event of Default under the Loan Agreement while there is no Credit Facility in effect hereunder, the Bondholders shall be deemed to be the Credit Facility Provider for purposes of the option to cause a mandatory redemption of all Outstanding Bonds pursuant to Section 4.01(d) hereof at any time during the continuation of such Event of Default under the Loan Agreement. Upon such mandatory redemption of the Bonds, all Outstanding Bonds shall be redeemed as of the date of mandatory redemption as follows: Upon such redemption date, all of the Bonds shall cease to bear interest and the Bondholders shall have no further rights except to obtain the distribution of the proceeds of the funds and other assets pledged to the Bonds, and such deemed redemption shall constitute payment in full of the Bonds, notwithstanding that amounts so distributed may be insufficient to pay the outstanding principal amount of the Bonds and accrued interest thereon. The Trustee shall liquidate and distribute such funds and assets in accordance with Section 7.03 hereof.

By their acceptance of the Bonds while there is no Credit Facility in effect, the Bondholders hereby consent to the mandatory redemption as described above, and upon the completion of such redemption the Bondholders shall no longer look to the Issuer to receive payment of any principal of or interest on the Bonds or any other sums which may be due with respect to the Bonds, but shall look solely to the funds and other assets pledged to the Bondholders hereunder.

Section 7.13. Intercreditor Agreement Controls Declaration of Defaults and Exercise of Remedies. So long as no Wrongful Dishonor (as defined in the Intercreditor Agreement) has occurred, the declaration of Events of Defaults, including Acceleration Defaults, and the exercise of remedies upon the occurrence of

an Event of Default described in Sections 7.01, 7.02 and 7.08 shall be subject to the terms of the Intercreditor Agreement.

ARTICLE VIII

THE TRUSTEE AND AGENTS

Section 8.01. Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture, including the duty to draw on the Credit Facility as required by Section 5.05 hereof, and no additional covenants or duties of the Trustee shall be implied in this Indenture, the Regulatory Agreement or the Credit Facility. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as prudent trustees familiar with such matters would exercise or use under similar circumstances in the conduct of their own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action or its own negligent failure to act, except that:

- (a) Prior to such an Event of Default hereunder and after the curing or waiver of all Events of Default which may have occurred, (1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this-Indenture against the Trustee; and (2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture;
- (b) At all times, regardless of whether or not any Event of Default shall exist, (1) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers or by any agent or attorney of the Trustee appointed with due care unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and (2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Facility Provider as provided herein, or in accordance with the directions of the holders of not less than a majority, or such other percentage as may be required hereunder, in aggregate principal amount of the Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy

available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture;

- (c) The Trustee shall not be required to take notice or be deemed to have notice of (i) any default hereunder or under the Loan Agreement, except defaults under Section 7.01(a), (b) or (c) hereof, unless a responsible officer of the Trustee shall be specifically notified in writing of such default by the Issuer, the Credit Facility Provider or the owners of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then outstanding, or (ii) any default under the Regulatory Agreement, including an Acceleration Default, unless a responsible officer of the Trustee shall be specifically notified in writing of such default by the Issuer;
- (d) Before taking any action under Article VII hereof or this Section at the request or direction of the Bondholders or the Credit Facility Provider, the Trustee may require that a satisfactory indemnity bond be furnished by the Bondholders or the Credit Facility Provider, as the case may be, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken;
- (e) Upon any application or request by the Issuer to the Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Trustee a Certificate of the Issuer stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, and an Opinion of Counsel stating that in the opinion of such Counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished;
- (f) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder or under the Regulatory Agreement either directly or through agents or attorneys;
- (g) Neither the Credit Facility Provider, the Remarketing Agent, the Issuer, the Tender Agent nor the Developer shall be deemed to be agents of the Trustee for any purpose, and the Trustee shall not be liable for any noncompliance of any of them in connection with their respective duties hereunder or in connection with the transactions contemplated hereby;
- (h) The Trustee shall be entitled to rely upon telephonic notice for all purposes whatsoever so long as the Trustee believes such telephonic notice has been given by a person authorized to give such notice; and
- (i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

- (j) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.
- (k) Anything to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the Project, and shall not be required to initiate foreclosure proceedings with respect to the Project and the Deed of Trust unless the Trustee is satisfied that the Trustee will not be subject to any liability under any local, state or federal environmental laws or regulations of any kind whatsoever or from any circumstances present at the Project relating to the presence, use, management, disposal of, or contamination by any environmentally hazardous materials or substances of any kind whatsoever.
- (l) No provision of this Indenture, the Loan Agreement, the Regulatory Agreement or any other document related hereto shall require the Trustee to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights hereunder.
- (m) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of the Credit Facility Provider or a majority (or other percentage provided for herein) in aggregate principal amount of Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 8.02. Right of Trustee to Rely upon Documents, Etc. Except as otherwise provided in Section 8.01:

- (a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;
- (b) Any consent, demand, direction, election, notice, order or request of the Issuer mentioned herein shall be sufficiently evidenced by a Written Consent, Written Demand, Written Direction, Written Election, Written Notice, Written Order or Written Request of the Issuer, and any resolution of the Issuer may be evidenced to the Trustee by a Certified Resolution;
- (c) The Trustee may consult with counsel (who may be counsel for the Issuer, counsel for the Trustee or Bond Counsel) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel;
- (d) Whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or

suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Issuer; and such Certificate of the Issuer shall, in the absence of negligence or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof; and

- (e) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, the Developer and the Remarketing Agent, personally or by agent or attorney.

Section 8.03. Trustee Not Responsible for Recitals. The recitals contained herein and in the Bonds shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the value or condition of any assets pledged or assigned as security for the Bonds, or as to the right, title or interest of the Issuer therein, or as to the security provided thereby or by this Indenture, the Loan Agreement or the Credit Facility, or as to the compliance of the Project with the Law, or as to the tax-exempt status of the Bonds, or as to the technical or financial feasibility of the Project, or as to the validity or sufficiency of this Indenture as an instrument of the Issuer or of the Bonds as obligations of the Issuer. The Trustee shall not be accountable for the use or application by the Issuer or the Remarketing Agent of any of the Bonds authenticated or delivered hereunder or of the use or application proceeds of such Bonds by the Issuer, the Developer or the Servicer.

Section 8.04. Intervention by Trustee. The Trustee may intervene on behalf of the Bondholders in any judicial proceeding to which the Issuer is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of owners of the Bonds and, subject to the provisions of Section 8.01(d), shall do so if requested in writing by the owners of a majority in aggregate principal amount of all Bonds then outstanding.

Section 8.05. Moneys Received by Trustee to be Held in Trust. Subject to the provisions of Section 10.03, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or as otherwise provided herein. Amounts drawn under the Credit Facility and proceeds of any remarketing of Bonds shall not be commingled with any other funds held by the Trustee hereunder. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Issuer to pay thereon. Any interest allowed on any such moneys shall be deposited in the fund

to which such moneys are credited. Any moneys held by the Trustee may be deposited by it in its banking department and (excluding any moneys derived from a drawing on the Credit Facility) invested in Investment Securities.

Section 8.06. Compensation and Indemnification of Trustee and Agents. The Issuer will require the Developer to make provisions: (1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder and under the other agreements related to the Bonds to which it is a party (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); (2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture or other agreement related to the Bonds to which the Trustee is a party (including the reasonable compensation and the expenses and disbursements of its agents and counsel), and shall be reimbursed for any expenses incurred in complying with any request made by the Issuer or Rating Agency with respect to the Bonds, except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and (3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder or other agreement to which the Trustee is a party. The Agents shall be entitled to reasonable compensation for all services rendered by them as such Agents, and the Issuer will require the Developer to provide for payment or reimbursement of the Agents upon request for all expenses, disbursements and advances incurred or made by the Agents in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of their counsel and of all persons not regularly in their employ) except any such expense, disbursement or advance as may arise from their negligence or bad faith. If any property, other than cash, shall at any time be held by the Trustee subject to this Indenture, or any supplemental indenture, as security for the Bonds, the Trustee, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bonds, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The rights of the Trustee and the Agents to compensation for services and to payment or reimbursement for expenses, disbursements, liabilities and advances shall have a lien prior to the Bonds in respect of all property and funds held or collected by the Trustee as such, except funds held in trust by the Trustee for the benefit of the holders of particular Bonds and except proceeds of any drawing on the Credit Facility, which proceeds shall be held solely for the benefit of the Bondholders and used only for the payment of principal of and premium, if any, and interest on the Bonds.

Section 8.07. Qualifications of Trustee. There shall at all times be a trustee hereunder which shall be a corporation or association organized and doing business

under the laws of the United States or of a state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least One Hundred Million Dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.08.

- Section 8.08. Resignation and Removal of Trustee and Appointment of Successor Trustee. (a) The Trustee may at any time resign by giving written notice delivered to the Issuer and by giving written notice to the Bondholders, the Developer and the Credit Facility Provider by first class mail. Upon receiving such notice of resignation, the Issuer, with the consent of the Credit Facility Provider, shall promptly appoint a successor trustee by an instrument in writing. If no successor trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Bondholder who has been a bona fide holder of a Bond for at least six months may, on behalf of itself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor trustee.
- (b) In case at any time either (1) the Trustee shall cease to be eligible in accordance with the provisions of Section 8.07 and shall fail to resign after written request therefor by the Issuer or by any Bondholder who has been a bona fide holder of a Bond for at least six (6) months, or (2) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Issuer may remove the Trustee and upon such removal or upon any removal pursuant to paragraph (c) of this Section 8.08, except as otherwise provided in said paragraph (c), shall appoint a successor trustee by an instrument in writing, or any such Bondholder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, remove the Trustee and appoint a successor trustee. The Issuer shall notify the Developer and the Credit Facility Provider of any such removal or appointment.
- (c) The holders of a majority in aggregate principal amount of the Bonds at the time outstanding may at any time remove the Trustee and may, with the consent of the Credit Facility Provider, if the Issuer is in default hereunder, appoint a successor trustee, in each case by an instrument or concurrent instruments in writing signed by

such Bondholders and delivered to the Trustee, the Issuer, the Developer, the Credit Facility Provider and the Remarketing Agent; provided, nevertheless, that in case of vacancy the Authority may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bond Owners in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Bond Owners.

- (d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section shall become effective upon acceptance of appointment and assumption of duties by the successor trustee as provided in Section 8.09.

Section 8.09. Acceptance of Trust by Successor Trustee. Any successor trustee appointed as provided in Section 8.08 shall execute, acknowledge and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with and shall assume all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, and shall also be and become successor Trustee in respect of the beneficial interest of the Trustee in the Loan, with like effect as if originally named as Trustee herein; but, nevertheless, on the Written Request of the Issuer or the request of the successor trustee, the trustee ceasing to act shall execute and deliver an instrument transferring to such successor trustee, upon the trusts herein expressed, all the rights, powers and trusts of the trustee so ceasing to act. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing necessary or desirable for more fully and certainly vesting in and confirming to such successor trustee all such rights, powers and duties. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure the amounts due it as compensation, reimbursement, expenses and indemnity afforded to it by Section 8.06.

No successor trustee shall accept appointment as provided in this Section 8.09 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 8.07. Upon acceptance of appointment by a successor trustee as provided in this Section, the Issuer or such successor trustee shall give Bondholders notice by first class mail of the succession of such trustee to the trusts hereunder.

In the event of the appointment of a successor Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee of the funds hereunder and bond registrar and paying agent for the Bonds, and the successor Trustee shall become such trustee and shall accept such other appointments as the trustee may hold, including the offices of bond registrar and paying agent hereunder.

Section 8.10. Merger or Consolidation of Trustee. Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or

consolidation to which the Trustee shall be a party, or any corporation or association succeeding to the business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor trustee shall be eligible under the provisions of Section 8.07.

Section 8.11. Accounting Records and Reports. The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, disbursement, allocation and application of the Revenues and the proceeds of the Bonds. Such records shall be open to inspection by the Issuer, by the Developer, by the Credit Bank and by any Bondholder at any reasonable time on reasonable notice. The Trustee shall furnish to the Issuer regular reports on such dates and containing such information as the Issuer shall reasonably require, covering the activities and responsibilities of the Trustee.

Section 8.12. Remarketing Agent. The Developer shall, with the consent of the Issuer, the Trustee and the Credit Facility Provider, appoint a Remarketing Agent for the Bonds, subject to the conditions set forth in Section 8.13 hereof. The Remarketing Agent initially appointed hereunder is Banc of America Securities LLC. The Remarketing Agent shall designate to the Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by execution of the Remarketing Agreement. The Remarketing Agent shall, and shall agree in the Remarketing Agreement to, do each of the following:

- (a) act as agent for the Issuer in determining the Variable Rate and the Fixed Rate, act as agent for Bondholders in receiving and holding Bonds tendered for purchase and moneys to pay the purchase price thereof, and act as agent for the Developer in all other matters;
- (b) notify the Trustee and the Credit Facility Provider of the Variable Rate determined in accordance with Section 2.01(d) and the Fixed Rate determined in accordance with Section 2.01(f), each such notification to be in writing or by telex or telecopier or other communication device which produces a written record thereof, or by telephone confirmed within one Business Day by any such written communication;
- (c) hold all Bonds delivered to it by the Tender Agent in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds to the Tender Agent until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders;
- (d) hold all moneys delivered to it hereunder for the purchase of Bonds in trust for the benefit of the person which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person, and not commingle such moneys with other funds of the Remarketing Agent;

- (e) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Issuer, the Trustee and the Developer at all reasonable times; and
- (f) perform the duties and comply with the provisions set forth in Sections 8.13 through 8.16 hereof, inclusive.

Section 8.13. Qualifications of Remarketing Agent. (a) The Remarketing Agent shall be a national banking association or a member of the National Association of Securities Dealers, Inc., having an office in New York, New York, and a capitalization of at least \$15,000,000 and authorized by law to perform all the duties imposed upon it by this Indenture and the Remarketing Agreement.

- (b) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' written notice to the Issuer, the Developer, the Credit Facility Provider and the Trustee, but any such resignation shall not be effective until a successor is appointed.
- (c) The Remarketing Agent may be removed at any time, and a successor Remarketing Agent appointed, at the direction of the Developer, with the consent of the Issuer, the Trustee and the Credit Facility Provider. Within thirty (30) days after receipt of such filing, the Trustee shall confirm in writing to the successor Remarketing Agent, the Credit Facility Provider and the Issuer that such removal has been approved and the successor Remarketing Agent has been appointed. No removal of the Remarketing Agent shall be effective until a successor is appointed and has accepted such appointment.
- (d) In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor.

Section 8.14. Remarketing of Bonds. Upon the receipt by the Remarketing Agent of any notice from the Tender Agent that any Bondholder has delivered a Tender Notice pursuant to Section 2.02, the Remarketing Agent shall offer for sale and use its best efforts to market the Bonds referred to in such Tender Notice at a price of par plus accrued interest to the Demand Date, in accordance with the Remarketing Agreement. The Remarketing Agent shall give telegraphic or telephonic notice, promptly confirmed in writing, to the Trustee, the Tender Agent and the Credit Facility Provider by 10:00 a.m., Washington, D.C. time, on each Demand Date specifying the names, addresses, and taxpayer identification numbers of the purchasers of, and the principal amount and denominations of, such Bonds, if any, for which it has found purchasers, the purchase price at which the Bonds are to be sold (which shall be at least par plus accrued interest to the Demand Date) and the Demand Date. The Remarketing Agent shall instruct such purchasers to deliver to it, on the Demand Date, in same day funds, the amount required to purchase such Bonds. Upon receipt of such amount from such purchasers and receipt, pursuant to Section 8.16 hereof, of the Bonds to be purchased on such Demand Date in good

form for delivery, the Remarketing Agent will instruct the Trustee, as bond registrar, to transfer the registered ownership of the Bonds to the respective purchasers, and will deliver such Bonds to the Trustee for such transfer and delivery to the transferee. The Remarketing Agent shall remit the purchase price of such Bonds to the tendering Bondholder or Bondholders entitled to the same as provided in Section 2.02. In the event that any purchaser which shall have been identified by the Remarketing Agent to the Trustee and the Tender Agent shall fail to pay the purchase price for any Bonds prior to 10:00 a.m., Washington, D.C. time, on the Demand Date, the Remarketing Agent shall not be obligated to accept delivery of such amount.

No Bonds owned by or for the account of the Developer, including any Purchased Bonds, shall be purchased from the proceeds of the Credit Facility nor shall the Remarketing Agent remarket any Bonds to the Issuer, the Developer or any general partner of the Developer.

The Issuer hereby agrees that it will not purchase any Bonds from the Remarketing Agent.

Section 8.15. Purchase of Bonds Not Remarketed. If the Trustee does not receive from the Remarketing Agent, on or before 10:00 a.m. New York time as the Demand Date, notice that the entire amount of the Bonds identified in the Tender Notice have been remarketed, the Trustee shall promptly thereafter give the Credit Facility Provider telephonic or telegraphic notice of the failure to receive such notice from the Remarketing Agent. In the event that any Bond in respect of which a Tender Notice has been given shall not be remarketed on or prior to the Demand Date, the Trustee shall, on the Demand Date, within the time required by Section 5.05 hereof, draw on the Credit Facility in an amount sufficient to pay the purchase price of such Bond. On each Demand Date the Trustee shall pay to the registered owners thereof, as provided in Section 2.02, but only from amounts drawn under the Credit Facility, the purchase price of any Bonds for which it has received a Tender Notice and which have not been remarketed pursuant to Section 8.14 hereof. Any amounts drawn under the Credit Facility to purchase Bonds shall be used solely for such purpose. Any Bonds so purchased with amounts drawn under the Credit Facility by the Trustee shall constitute Pledged Bonds, shall be registered in the name of the Custodian or such party as the Credit Facility Provider shall direct and as provided in the Pledge Agreement.

The moneys drawn under the Credit Facility, to the extent not used to pay the purchase price of such Bonds in accordance with this Section 8.15, shall be returned to the Credit Facility Provider promptly upon receipt of the purchase price of the tendered Bonds.

Section 8.16. Delivery of Purchased Bonds.

- (a) Bonds remarketed by the Remarketing Agent pursuant to Section 8.14 hereof shall be delivered by the Remarketing Agent to the Trustee for cancellation, and Bonds in a like aggregate principal amount shall be registered by the Trustee in the names and shall be in the denominations set forth in the notice given to the Trustee by the Remarketing Agent pursuant to Section 8.14 hereof, and shall thereupon be delivered by the Trustee to the purchasers thereof.

- (b) Pledged Bonds shall be held by the Custodian under the provisions of the Pledge Agreement. The Remarketing Agent shall remarket such Pledged Bonds in accordance with the provisions hereof. Upon remarketing of any Pledged Bonds, the Remarketing Agent shall immediately give telegraphic or telephonic notice, promptly confirmed by a written notice, to the Trustee, the Tender Agent, the Developer, the Custodian and the Credit Facility Provider (A) directing the Custodian to deliver any Pledged Bonds which the Remarketing Agent has remarketed pursuant to this Section to the new purchaser thereof or their agents against payment therefor on the date specified by the Remarketing Agent, (B) stating the principal amount of Pledged Bonds remarketed pursuant to this Section, and (C) directing the Tender Agent to pay to the Credit Facility Provider the proceeds received from the purchaser of such Pledged Bonds; provided, however, the Custodian shall not release Pledged Bonds until all conditions to reinstatement of the Credit Facility have been satisfied as provided in the Pledge Agreement.

Immediately upon receipt of the proceeds of the sale of Pledged Bonds, the Trustee shall notify the Credit Facility Provider in writing. On the settlement date for such purchase, the Trustee shall hold in trust for the Credit Facility Provider such of the proceeds of the sale of the Pledged Bonds as are required to fully reimburse the Credit Facility Provider for draws on the Credit Facility with respect to the Bonds being purchased, and shall simultaneously receive the Credit Facility Provider's release of the Pledged Bonds pursuant to the Pledge Agreement. The Trustee shall thereupon register such Bonds in such names and deliver them to such new owners as shall have been specified to the Trustee by the Remarketing Agent, and shall pay to the Credit Facility Provider amounts held by the Trustee for the benefit of the Credit Facility Provider.

Section 8.17. Tender Agent. The Trustee on behalf of the Issuer, shall appoint the Tender Agent for the Bonds, subject to the conditions set forth in Section 8.18 hereof. The Tender Agent shall designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Trustee and the Remarketing Agent under which the Tender Agent acknowledges its qualifications and authority to act as Tender Agent under this Indenture and agrees, particularly, as follows:

(1) The Tender Agent shall, upon receipt of a Tender Notice from any Bondholder, give prompt telephonic notice thereof to the Trustee and the Remarketing Agent, specifying the amount of Bonds to be purchased and the Demand Date, and shall, not later than the following Business Day, confirm such telephonic notice in writing and deliver to the Remarketing Agent and the Credit Facility Provider a copy of such Tender Notice.

(2) On each Demand Date the Tender Agent shall give the Remarketing Agent and the Trustee telephonic notice, confirmed in writing by the following Business Day, of the amount of Bonds delivered pursuant to Section 2.02.

(3) The Tender Agent shall hold all Bonds delivered to it pursuant to Section 2.02 in trust for the benefit of the respective Bondholders which shall have so delivered

such Bonds until such Bonds are required by this Indenture to be delivered to the respective purchasers thereof.

(4) The Tender Agent shall cancel all Bonds for which it has received written notice of remarketing from the Remarketing Agent and shall register and authenticate new Bonds in a like aggregate principal amount in the names and in the denominations set forth in the written notice given to the Tender Agent by the Remarketing Agent pursuant to Section 8.14 hereof.

(5) The Tender Agent shall deliver Bonds and due-bill checks, if any, to the purchasers thereof in accordance with Section 8.16 hereof.

(6) The Tender Agent shall deliver to the Trustee all Bonds not remarketed, promptly upon receipt of such Bonds from the holders thereof.

(7) The Tender Agent shall keep such books and records as shall be consistent with prudent industry practice and shall make such books and records available for inspection by the Issuer, the Trustee and the Credit Facility Provider at all reasonable times.

Section 8.18. Qualifications of Tender Agent. The Tender Agent shall be authorized by law to perform all the duties imposed upon it by this Indenture. The selection of the Tender Agent shall be subject to the approval of the Credit Facility Provider.

The Tender Agent may at any time resign and be discharged by giving at least sixty (60) days' notice to the Trustee, the Issuer and the Credit Facility Provider. The Tender Agent may be removed at any time, with the approval of the Credit Facility Provider, by an instrument signed by the Trustee and filed with the Tender Agent, the Remarketing Agent and the Issuer.

In the event of the resignation or removal of the Tender Agent, the Tender Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity, and shall deliver all books and records relating thereto, to its successor or, if there be no successor, to the Trustee.

In the event that the Trustee shall fail to appoint a Tender Agent hereunder, or in the event that the Tender Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Tender Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Trustee shall not have appointed its successor as Tender Agent, the Trustee, notwithstanding the provisions of the first paragraph of this Section 8.18, shall be deemed to be the Tender Agent for all purposes of this Indenture until the appointment by the Trustee of the Tender Agent or a successor Tender Agent, as the case may be.

Insofar as such provisions may be applicable, the Tender Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in Sections 8.01(a), (b), (f) and (h), 8.02, 8.03 and 8.06(3), with respect to the Trustee except that the Tender Agent shall not be responsible for any misconduct or negligence on the part of any agent, attorney or receiver

appointed with due care by it hereunder. The Tender Agent shall perform such duties, and only such duties, as are specifically set forth in this Indenture and the Agreement and no implied covenants shall be read into this Indenture or the Agreement against the Tender Agent.

The Tender Agent shall not be liable in connection with the performance of its duties and obligations hereunder except for its own misconduct, gross negligence or bad faith. The immunities and the standard of care of the Tender Agent in the performance of its role hereunder shall be governed by and construed in accordance with the laws of the jurisdiction in which is located its principal office.

Section 8.19. Dealing in Bonds. The Credit Facility Provider, the Trustee, the Tender Agent or the Remarketing Agent, in its individual capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee, the Tender Agent, the Credit Facility Provider or the Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Credit Facility Provider, and may act as depository, trustee or agent for any committee or body of Bondholders secured hereby or other obligations of the Issuer as freely as if it did not act in any capacity hereunder. It is expressly understood that the Trustee and the Tender Agent in carrying out their respective duties hereunder shall each be acting as a conduit with respect to deliveries of Bonds for purchase and purchases pursuant to Section 2.02 hereof.

ARTICLE IX

MODIFICATION OF INDENTURE

Section 9.01. Modification without Consent of Bondholders. The Issuer and the Trustee, from time to time and at any time, subject to the conditions and restrictions in this Indenture contained, may enter into an indenture or indentures supplemental hereto, which indenture or indentures thereafter shall form a part hereof, for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Issuer in this Indenture contained, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Issuer; provided that no such covenant, agreement, assignment, pledge or surrender shall materially adversely affect the interests of the holders of the Bonds;
- (b) to evidence the succession of a new Trustee hereunder, or to provide for the appointment of a co-trustee or for a paying agent in addition to the Trustee;
- (c) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to matters or questions arising under this Indenture, as

the Issuer may deem necessary or desirable and not inconsistent with this Indenture and which shall not materially adversely affect the interests of the holders of the Bonds;

- (d) to provide for the issuance of coupon bonds or to provide for the use of a book-entry system; provided, however, that the Issuer and the Trustee shall have received an opinion of Bond Counsel to the effect that issuance of the Bonds in coupon form or the use of a book-entry system, respectively, complies with all applicable laws and will not adversely affect the exemption from federal income taxation of interest on any of the Bonds;
- (e) [This paragraph reserved.]
- (f) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof or thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, and which shall not materially , adversely affect the interests of the holders of the Bonds;
- (g) to provide for the issuance of Additional Bonds in accordance with Section 2.08 hereof; or
- (h) to modify, alter, amend or supplement this Indenture in any other respect, including amendments which would otherwise be described in Section 9.02, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least thirty (30) days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to Section 2.02.

Any supplemental indenture authorized by the provisions of this Section may be executed by the Issuer and the Trustee without the consent of or notice to the holders of any of the Bonds at the time outstanding, notwithstanding any of the provisions of Section 9.02, but (i) the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise; (ii) the Trustee shall not enter into any such supplemental indenture which affects the rights or obligations of the Developer hereunder or under the Agreement without first obtaining the written consent of the Developer; and (iii) the Trustee shall not enter into any such supplemental indenture without first obtaining the written consent of the Credit Facility Provider.

Section 9.02. Modification with Consent of Bondholders. With the prior written consent of the Credit Facility Provider and the consent of the holders of not less than sixty percent (60%) in aggregate principal amount of the Bonds at the time outstanding, evidenced as provided in Section 11.08, the Issuer and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or

eliminating any of the provisions of this Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (2) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental indentures, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of this Indenture, except as permitted herein, or permit the creation of any preference of any Bondholder over any other Bondholder or deprive the holders of the Bonds of the lien created by this Indenture upon the Revenues, or impair the right of the owners of Bonds to demand purchase thereof pursuant to Section 2.02 hereof, without in each case the consent of the holders of all the Bonds then outstanding. Upon receipt by the Trustee of a Certified Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Issuer in the execution of such supplemental indenture, unless (i) such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture; (ii) such supplemental indenture affects the rights or obligations of the Developer hereunder or under the Loan Agreement, in which case the Trustee shall enter into such supplemental indenture only if the Trustee has received the Developer's written consent thereto; or (iii) such supplemental Indenture affects the rights or obligations of the Tender Agent hereunder, in which case the Trustee shall enter into such supplemental indenture only if the Trustee has received the Tender Agent's written consent thereto.

It shall not be necessary for the consent of the Bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Trustee shall give Bondholders, by first class mail, a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 9.03. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of this Article IX, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all holders of outstanding Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.04. Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of Section 8.01, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article IX is authorized and permitted by this Indenture.

Section 9.05. Notation of Modification on Bonds; Preparation of New Bonds. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article IX may bear a notation, in form approved by the Trustee and the Issuer as to any matter provided for in such supplemental indenture, and if such supplemental indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Trustee and the Issuer, to any modification of this Indenture contained in any such supplemental indenture, may be prepared by the Issuer, authenticated by the Trustee and delivered without cost to the holders of the Bonds then outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

Section 9.06. Notice to Rating Agency. The Trustee shall give to any Rating Agency which maintains a rating on the Bonds notice of any material change made to this Indenture, the Agreement or the Credit Facility, notice of any successor Trustee hereunder or any successor Remarketing Agent, notice of any expiration, termination, extension or substitution of the Credit Facility, notice of any redemption of the Bonds in whole, notice of any acceleration of the Bonds, notice of any Conversion and notice of any defeasance of the Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. If the entire indebtedness on all Bonds outstanding shall be paid and discharged in any one or more of the following ways:

- (a) by the payment of the principal of (including redemption premium, if any) and interest on all Bonds outstanding; or
- (b) after Conversion, but not before Conversion, by the deposit or credit to the account of the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.04) to pay or redeem Bonds outstanding, whether by redemption or otherwise; or
- (c) by the delivery to the Trustee, for cancellation by it, of all Bonds outstanding; and if all other sums payable hereunder by the Issuer shall be paid and discharged, and if all amounts due and owing to the Credit Facility Provider under the Credit Agreement shall have been paid, then and in that case this Indenture shall cease, terminate and become null and void, except only as provided in Section 10.02 hereof, and thereupon the Trustee shall, upon Written Request of the Issuer, and upon receipt by the Trustee of a Certificate of the Issuer and an Opinion of Counsel, each stating that in the

opinion of the signers all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture. The fees and charges of the Trustee and the Tender Agent (including reasonable counsel fees) must be paid in order to effect such discharge. The satisfaction and discharge of this Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Developer for any expenditures which it may thereafter incur in connection herewith.

The Issuer or the Credit Facility Provider or the Developer may at any time surrender to the Trustee for cancellation by it any Bonds previously authenticated and delivered which the Issuer or the Credit Facility Provider or the Developer lawfully may have acquired in any manner whatsoever, and such Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.04) to pay or redeem, including to pay all interest on (assuming interest accrues at the maximum allowable rate for any period for which the rate of interest on the Bonds has not been determined), outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Issuer in respect of such Bonds shall cease, terminate and be completely discharged, except only that thereafter the holders thereof shall be entitled to payment by the Issuer, and the Issuer shall remain liable for such payment, but only out of the money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.03.

Section 10.03. Payment of Bonds after Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys deposited with the Trustee or any paying agent in trust for the payment of the principal of, or interest or premium on, any Bonds remaining unclaimed for two (2) years after the principal of all the outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall then be paid to the Issuer, and the holders of such Bonds shall thereafter be entitled to look only to the Issuer for payment thereof, and only to the extent of the amount so paid to the Issuer, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Issuer as aforesaid, the Trustee or paying agent, as the case may be, may first publish at least once on a Business Day in a Qualified Newspaper a notice, in such form as may be deemed appropriate by the Trustee or such paying agent, in respect of the Bonds so payable and not presented and in respect of the provisions relating to the payment to the Issuer of the moneys held for the payment thereof. In the event of the payment of any such moneys to the Issuer as aforesaid, the holders of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be

unsecured creditors of the Issuer for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so paid to the Issuer (without interest thereon).

Section 10.04. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or credited to the account of or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held shall be Available Amounts consisting of:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any; or
- (b) noncallable direct obligations of the United States of America or obligations which as to principal and interest constitute full faith and credit obligations of the United States of America, in such amounts and maturing at such times that the proceeds of said obligations received upon their respective maturities and interest payment dates, without further reinvestment, will provide funds sufficient to pay the principal, premium, if any, and interest to maturity, or to the redemption date, as the case may be, with respect to all of the Bonds to be paid or redeemed, as such principal, premium and interest become due; provided that the Trustee shall have been irrevocably instructed to apply the proceeds of said obligations to the payment of said principal, premium, if any, and interest with respect to such Bonds.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Successors of Issuer. All the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of the Issuer, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not. If any of the powers or duties of the Issuer shall hereafter be transferred by any law of the State of California, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Issuer, then the body or official who shall succeed to such powers or duties shall act and be obligated in the place and stead of the Issuer as in this Indenture provided.

Section 11.02. Limitation of Rights to Parties and Bondholders. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Issuer, the Trustee, the Developer, the Credit Facility Provider, the Agents and the holders of the Bonds issued hereunder any legal

or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Trustee, the Developer, the Credit Facility Provider, the Agents and the holders of the Bonds issued hereunder.

Section 11.03. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.04. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Issuer of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds and deliver a certificate of such destruction to the Issuer, unless the Issuer shall have delivered to the Trustee a Written Request that such Bonds be cancelled and delivered to the Issuer. Any destruction of the Bonds shall, upon Written Request of the Issuer, be done in the presence of an officer of the Issuer.

Section 11.05. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 11.06. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper on the Issuer, the Trustee, the Credit Facility Provider, the Remarketing Agent or the Developer if the same shall, except as otherwise provided herein, be duly mailed by registered or certified mail, postage prepaid, or given by telephone or telecopier and confirmed by such mail, addressed as follows:

To the Issuer:

The Housing Authority of the County of Los Angeles
Community Development Commission
2 Coral Circle
Monterey Park, CA 91755
Attention: Director of Housing
Development and Preservation
Telephone: (323) 890-7269
Facsimile: (323) 890-9715

To the Trustee: U.S. Bank National Association
550 South Hope Street, Suite 500
Los Angeles, CA 90071
Attention: Bertha Mares
Telephone: (213) 533-8748
Facsimile: (213) 533-8750

To the Credit Facility Provider: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, VA 22102
Attention: Multifamily Management and Information Control
Facsimile: (703) 714-3273
Telephone: (703) 903-2000

with a copy to: Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102
Attention: Associate General Counsel –
Multifamily Legal Department
Facsimile: (703) 903-2885
Telephone: (703) 903-2000

and with a copy to: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4F
McLean, Virginia 22102
Attention: Director of Multifamily Loan Servicing
Facsimile: (703) 714-3003
Telephone: (703) 903-2000

To the Remarketing Agent: Banc of America Securities, LLC
Municipal Securities Trading and Underwriting
NC1-005-12-03
121 West Trade Street, 12th Floor
Charlotte, NC 28255
Attention: Kenneth Rogers

To the Developer: Palmer-Saugus,
A California Limited Partnership
c/o G.H. Palmer Associates
11740 San Vicente Boulevard, Suite 208
Los Angeles, CA 90049
Attention: Geoff Palmer
Telephone: (310) 207-3100
Facsimile: (310) 207-2162

with a copy to:

Bret H. Reed, Jr.
A Law Corporation
200 Garnet Avenue
Balboa Island, CA 92662
Telephone: (949) 955-9150
Facsimile: (949) 673-9265

A duplicate copy of each notice, certificate or other communication given hereunder by the Issuer or the Trustee to the other shall be given to the Developer and the Credit Facility Provider. The Issuer, the Trustee, the Credit Facility Provider, the Remarketing Agent and the Developer may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Notwithstanding the foregoing provisions of this Section 11.06, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.07. Additional Notices to Credit Facility Provider and Rating Agencies.

- (a) The Trustee shall provide to the Credit Facility Provider (i) prompt notice of the occurrence of any Event of Default pursuant to Section 7.01 hereof and (ii) any written information or other communication received by the Trustee hereunder within ten (10) Business Days of receiving a written request from the Credit Facility Provider for any such information or other communication. The Trustee shall provide to each rating agency then rating the Bonds any information requested by such rating agency needed to maintain the rating on the Bonds.
- (b) The Trustee shall provide to each rating agency then rating the Bonds notice of (i) any change in Trustee or Remarketing Agent hereunder, (ii) any material amendment to any of the Project Loan Documents, (iii) any substitution, termination, expiration or extension of the Credit Facility, (iv) any Conversion and (v) any mandatory tender, acceleration or redemption in whole or defeasance of the Bonds.

Section 11.08. Authorized Representatives. Whenever under the provisions of this Indenture the approval of the Issuer, the Credit Facility Provider or the Developer is required for any action, and whenever the Issuer, the Credit Facility Provider or the Developer is required to deliver any notice or other writing, such approval or such notice or other writing shall be given, respectively, on behalf of the Issuer by the Authorized Issuer Representative or on behalf of the Credit Facility Provider by the Authorized Credit Facility Provider Representative or on behalf of the Developer by the Authorized Developer Representative, and the Issuer, the Trustee, the Credit Facility Provider and the Developer shall be authorized to act on any such approval or notice or other writing and neither party hereto nor the Credit Facility Provider nor the Developer shall have any complaint against the others as a result of any such action taken.

Section 11.09. Evidence of Rights of Bondholders. (a) Any request, consent or other instrument required by this Indenture to be signed and executed by Bondholders may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondholders in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the ownership of any Bonds, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Issuer if made in the manner provided in this Section.

- (b) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.
- (c) The ownership of Bonds shall be proved by the Bond register maintained pursuant to Section 2.05 hereof. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.
- (d) Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in pursuance of such request, consent or vote.
- (e) In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the Issuer or by any other direct or indirect obligor on the Bonds; or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or any other direct or indirect obligor on the Bonds, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that, for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to-be so owned shall be disregarded, Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this subsection (e) if the pledgee shall establish to the satisfaction of the Trustee and the Issuer the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or any other direct or indirect obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Solely for purposes of the limitation expressed in this paragraph (e), the Credit Facility Provider and the Developer shall be deemed to be indirect obligors on

the Bonds; provided, however, that the Credit Facility Provider shall not be deemed to be an indirect obligor on the Bonds for so long as it is the holder of all of the outstanding Bonds, and the Bonds so held shall be regarded and deemed outstanding for purposes of the determinations described in this Section 11.08.

- (f) In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bondholders upon such notice and in accordance with such rules and regulations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Section 11.10. Waiver of Personal Liability. No officer, official, agent or employee of the Issuer, and no officer, official, agent or employee of the County of Los Angeles or the State of California or any department, board or agency of any of the foregoing, shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such person from the performance of any official duty provided by law or by this Indenture.

Section 11.11. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided therefor in this Indenture and, in the case of any payment, no interest shall accrue for the period after such date.

Section 11.12. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Issuer and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.13. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

Section 11.14. Supplemental Indenture. This Indenture is supplemental to and amendatory of the Original Indenture. Except as amended hereby, the Indenture shall remain in full force and effect and is hereby ratified and confirmed in all respects. This Indenture shall be deemed to be an amendment to the Original Indenture, and a Supplemental Indenture within the meaning of Article IX of the Original Indenture. All references in the Indenture to “this Indenture,” “hereunder,” “hereof,” “herein,” or other words of like import, and all references to the Indenture in any other agreement or document shall hereafter be deemed to refer to the Indenture as amended hereby.

Section 11.15. Intercreditor Agreement. In connection with the delivery of the Credit Enhancement Agreement to replace the existing Credit Facility, the Trustee is

authorized and directed to enter into the Intercreditor Agreement with the Issuer and Freddie Mac.

Section 11.16. Amendment of Loan Agreement and Regulatory Agreement.

The Trustee is authorized and directed to consent to the Amended and Restated Loan Agreement and to enter into the Second Amendment to Regulatory Agreement, each of even date herewith.

Section 11.17. Replacement of Deed of Trust. The Trustee is authorized and directed to release and reconvey that certain _____, and to accept that certain _____.

Section 11.18. Authority for the Indenture. This Indenture is executed and delivered pursuant to and in accordance with Section 9.02 of the Original Indenture.

Section 11.19. Bondholder Consents Obtained. The Trustee certifies that the written consents to this Indenture from the holders of 100% in aggregate principal amount of the Bonds Outstanding have been filed with the Trustee.

IN WITNESS WHEREOF, The Housing Authority of the County of Los Angeles has caused this Indenture to be signed in its name by its duly authorized officers and U.S. Bank National Association, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its name by its duly authorized officers, all as of the day and year first above written.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By _____
Executive Director

Approved as to form:

LLOYD W. PELLMAN
County Counsel

By _____
Deputy

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

Acknowledged and Agreed to:

PALMER-SAUGUS, A CALIFORNIA
LIMITED PARTNERSHIP

By _____
General Partner

EXHIBIT A
FORM OF VARIABLE RATE BOND

[Form of Face of Bond]

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BOND
(SAND CANYON RANCH PROJECT) 1985 SERIES F

MATURITY DATE

ISSUE DATE

CUSIP

March 1, 2033

REGISTERED OWNER:

PRINCIPAL SUM:

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic of the State of California (herein called the "Authority"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the registered owner identified above or registered assigns, on March 1, 2033 (subject to any right of prior redemption hereinafter mentioned), the principal sum identified above in lawful money of the United States of America; and to pay interest thereon in like money, until payment of such principal sum, at the rates and at the times as hereinafter provided. The principal or redemption price hereof is payable upon presentation and surrender hereof at the Principal Office of U.S. Bank National Association (herein called the "Trustee"), and interest shall be paid by check mailed to the person in whose name this Bond is registered on the applicable Record Date (as hereinafter defined), at the address of such registered owner shown on the books of the Trustee, except that until Conversion (as hereinafter defined) such interest payments may be made by wire transfer to any registered owner of \$1,000,000 or more in aggregate principal amount of the Bonds who shall have designated to the Trustee an account for such payments at least fifteen days before the Record Date therefor.

This Bond is one of a duly authorized issue of bonds of the Authority designated as "The Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F" (herein called the "Bonds"), in the aggregate principal amount of \$14,500,000, authorized to be issued pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (herein called the "Law"), and issued under and secured by an Amended and Restated Indenture of Trust, dated as of _____ 1, 2003 (herein called the "Indenture"), between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of

the Authority thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE, AND ARE NOT A DEBT OF THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER ARE THEY LIABLE ON THE BONDS, NOR ARE THE BONDS PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY PLEDGED FOR THE PAYMENT THEREOF PURSUANT TO THE INDENTURE.

The Bonds are limited obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from, and secured by a pledge of and lien on, the Revenues (as that term is defined in the Indenture), consisting primarily of amounts drawn under a credit facility delivered by Federal Home Loan Mortgage Corporation (the "Credit Facility Provider"), or any qualified credit facility issued in substitution therefor (such credit facility or substitute being referred to herein as the "Credit Facility"). The Bonds are being issued in order to provide funds to make a loan (the "Loan") to Palmer-Saugus, A California Limited Partnership (the "Developer"), pursuant to an Amended and Restated Loan Agreement, dated as of _____ 1, 2003 (the "Loan Agreement") between the Authority and the Developer, to finance a multifamily rental housing development (the "Project") in the County of Los Angeles, California.

This Bond shall bear interest from the date to which interest has been paid next preceding the date of registration of this Bond (unless this Bond is registered as of an Interest Payment Date, as defined below, for which interest has been paid, or after the Record Date in respect thereof, in which event it shall bear interest from such Interest Payment Date, or unless it is registered before the Record Date for the first Interest Payment Date, in which event it shall bear interest from the date of the first authentication and delivery of the Bonds), at the rate determined as provided herein, payable on each Interest Payment Date. The term "Interest Payment Date" means the first Business Day (as defined in the Indenture) of each month and each Substitution Date, until the rate of interest on the Bonds is established at a fixed rate ("Conversion"), and thereafter means March 1 and September 1 of each year. The term "Record Date" means the seventh (7th) day before an Interest Payment Date until Conversion, and the fifteenth (15th) day of the month before an Interest Payment Date after Conversion.

Until Conversion, the rate of interest hereon shall be calculated on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed, and shall be a rate (the "Variable Rate"), determined by the remarketing agent appointed pursuant to the Indenture (the "Remarketing Agent"), on the Business Day before Tuesday of each week (an "Interest Computation Date"), for the period beginning on such Tuesday and ending on the next succeeding Monday (an "Interest Accrual Period"); provided that the Variable Rate in effect on the Record Date for any Interest Payment Date shall remain in effect until and including the day before such Interest Payment Date, and any change in the Variable Rate which would otherwise take effect between such Record Date and such Interest Payment Date shall take effect on such Interest Payment Date. The Variable Rate determined by the Remarketing Agent on each Interest Computation Date shall be that rate of interest which, if borne by the Bonds, would, in

its judgment having due regard to prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to produce as nearly as practicable a par bid (disregarding accrued interest) if Bonds were sold on such Interest Computation Date.

In no event shall the Variable Rate at any time exceed twelve percent (12%) per annum unless and to the extent that there shall have been delivered to the Trustee a Credit Facility in an amount equal to the then outstanding principal amount of the Bonds plus interest thereon for a period of 35 days at such higher Variable Rate; provided that the maximum Variable Rate shall never exceed twenty percent (20%) per annum; and provided further that the Variable Rate on any Bond shall never exceed the maximum rate of interest which may be charged or collected by the registered owner thereof pursuant to provisions of federal or state law applicable to such owner. Any Bond or \$100,000 units of principal amount thereof shall (unless remarketed by the Remarketing Agent) be purchased on any Business Day until and including the date of Conversion, on demand of the registered owner of such Bond, at a Purchase Price equal to the principal amount thereof, or of any \$100,000 units thereof purchased, plus interest accrued thereon, if any, to the date of purchase, upon (a) delivery to U.S. Bank National Association or its successor as Tender Agent (the "Tender Agent"), with a copy to the Trustee and the Remarketing Agent, of a written notice in the form set forth in the Indenture (a "Tender Notice") which states (i) the principal amount of such Bond for which payment is demanded, and (ii) the date on which such Bond or \$100,000 units of principal amount thereof shall be purchased (the "Demand Date"), which date shall be a Business Day not prior to the seventh (7th) day next succeeding the date of the receipt of the Tender Notice by the Tender Agent; and (b) delivery to the Tender Agent, at or prior to 9:30 a.m., New York time, on the Demand Date, of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) and, in the case of a Bond or \$100,000 units of principal amount thereof to be purchased prior to any Interest Payment Date and after the Record Date in respect thereof, a due-bill check, in form satisfactory to the Tender Agent, for interest due on such Interest Payment Date. Payment of the Purchase Price of any Bond so delivered shall be made by check or by wire transfer, as designated in the Tender Notice. No Bonds shall be so purchased or remarketed if an Event of Default under the Indenture shall have occurred and be continuing, or if all of the Bonds shall have been called for redemption, and no Bonds shall be so purchased or remarketed after the date of Conversion.

The rate of interest on the Bonds may, at the option of the Developer and the Credit Bank, be established at a fixed rate (the "Fixed Rate") on any Interest Payment Date (the "Conversion Date") in accordance with the procedures set forth in the Indenture. The Fixed Rate shall be computed on the basis of a year of 360 days with twelve 30-day months, and shall be determined by the Remarketing Agent, not less than ten Business Days before the Conversion Date, to be that rate, approved by the Developer and the Credit Bank, which, in the judgment of the Remarketing Agent having due regard for prevailing financial market conditions, would be required, but would not exceed the rate which would be required, to be borne by the Bonds in order for the market value of the Bonds on the date of determination of the Fixed Rate to be 100% of the principal amount thereof (disregarding accrued interest). The determination of the Fixed Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Authority, the Trustee and the Remarketing Agent. The

Trustee shall, upon request of any Bondholder, notify such Bondholder of the Fixed Rate to be in effect on and after the Conversion Date.

The Trustee shall give notice of Conversion to the owners of the Bonds, in the same manner that notices of redemption are given, not less than twenty (20) days before the Conversion Date, specifying the information set forth in the Indenture. If this Bond is not tendered for purchase at least seven days before the Conversion Date it will be deemed to have been so tendered and shall be purchased on the Conversion Date, at a price equal to the principal amount hereof plus interest accrued to such date. Any Bond tendered or deemed tendered for purchase pursuant to the terms of the Indenture from the date notice of Conversion is given through the Conversion Date shall not be remarketed except to a purchaser who agrees at the time of such purchase to accept the Fixed Rate after the Conversion Date. Bonds remarketed as aforesaid shall remain outstanding as Bonds bearing the Fixed Rate, and all other Bonds shall be purchased as provided in the Indenture. Upon Conversion, the Trustee shall cause to be prepared new Bonds bearing the Fixed Rate and shall deliver such Bonds to Bondholders without charge in exchange for any outstanding Bonds containing provisions relating to the Variable Rate.

The Bonds shall be subject to redemption prior to maturity, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, (a) in whole or in part on any Interest Payment Date, (i) if insurance or condemnation awards are received with respect to the Project, or (ii) until Conversion, if the Loan is voluntarily prepaid in whole or in part; (b) in whole on any date if the Loan is accelerated following a default by the Developer; or (c) in whole on any date on which any Credit Facility expires, unless the Trustee receives a renewal or extension of or replacement for such Credit Facility meeting the requirements of the Loan Agreement or, in the case of Conversion pursuant to the Indenture, an unconditional commitment to issue the Letter of Credit, in each case not less than thirty (30) days before the expiration of such Letter of Credit.

After Conversion, the Bonds shall be subject to redemption in whole or in part on any Interest Payment Date, commencing five years after the March 1 next following Conversion, in an amount equal to any voluntary prepayments of the Loan, at a redemption price equal to the principal amount of Bonds redeemed, plus interest accrued thereon to the date of redemption, plus a premium equal to 3% of such principal amount during the first twelve-month period that the Bonds are subject to such redemption, such premium to be reduced by to on each subsequent March 1 until it reaches zero percent.

Notice of Redemption of Bonds shall be given to the registered owners thereof by mail, as provided in the Indenture, not more than thirty (30) days and not less than fifteen (15) days or, in the case of redemption following an acceleration of the Loan, not more nor less than five (5) days before the date fixed for redemption. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest hereon shall cease to accrue from and after the date fixed for redemption.

Bonds called for redemption may be purchased in lieu thereof as provided in the Indenture. If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the

Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders of at least a majority in aggregate principal amount of the Bonds then outstanding.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of \$100,000 or any integral multiple thereof until Conversion, and \$5,000 or any integral multiple thereof after Conversion. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same series of other authorized denominations.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of the same series and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The Authority and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The Indenture contains provisions permitting the Authority and the Trustee to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture. Additional bonds on a parity with the Bonds may be issued pursuant to the terms of the Indenture.

No officer, agent or employee of the Authority, and no officer, official, agent or employee of the County of Los Angeles or the State of California, nor any person executing this Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds.

The Authority hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES has caused this Bond to be executed in its name by the manual or facsimile signature of the Chair of its Board of Commissioners and attested by the manual or facsimile signature of the Executive Officer-Clerk of the Board of Commissioners, all as of the Issue Date set forth above.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By _____
Chair
Board of Commissioners

Attest:

Executive Officer-Clerk of the
Board of Commissioners

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and has been registered on this date:

U.S. Bank National Association, as Trustee

By _____
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated:

(Signature)

Notice: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT B
FORM OF FIXED RATE BOND

[Form of Face of Bond]

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BOND
(SAND CANYON RANCH PROJECT) 1985 SERIES F

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic of the State of California (herein called the "Authority"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to

or registered assigns, on March 1, 2033 (subject to any right of prior redemption hereinafter mentioned), the principal sum of

in lawful money of the United States of America; and to pay interest thereon in like money, until payment of such principal sum, at the rate of _____ percent (___%) per annum, on March 1 and September 1 of each year, commencing _____ 1, ____ (each such date herein called an "Interest Payment Date"). The principal or redemption price hereof is payable upon presentation and surrender hereof at the Principal Office of U.S. Bank National Association (herein called the "Trustee"), and interest shall be paid by check mailed to the person in whose name this Bond is registered on the fifteenth (15th) day of the month before the applicable Interest Payment Date, at the address of such registered owner shown on the books of the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated as "The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F" (herein called the "Bonds"), in the aggregate principal amount of \$14,500,000, authorized to be issued pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (herein called the "Law"), and issued under and secured by an Amended and Restated Indenture of Trust, dated as of _____ 1, 2003 (herein called the "Indenture"), between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE, AND ARE NOT A DEBT OF THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER ARE THEY LIABLE ON THE

BONDS, NOR ARE THE BONDS PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY PLEDGED FOR THE PAYMENT THEREOF PURSUANT TO THE INDENTURE.

The holder of this Bond, by the acceptance hereof, hereby waives any right it may have to receive, and hereby agrees not to attempt to collect, any proceeds of insurance from the Federal Deposit Insurance Corporation which may be payable in respect of the Letter of Credit referred to herein.

The Bonds are limited obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from, and secured by a pledge of and lien on, the Revenues (as that term is defined in the Indenture), consisting primarily of amounts drawn under a credit facility delivered by Federal Home Loan Mortgage Corporation (the "Credit Facility Provider"), or any qualified credit facility issued in substitution therefor (such credit facility or substitute being referred to herein as the "Credit Facility"). The Bonds are being issued in order to provide funds to make a loan (the "Loan") to Palmer-Saugus, A California Limited Partnership (the "Developer"), pursuant to an Amended and Restated Loan Agreement, dated as of _____ 1, 2003 (the "Loan Agreement") between the Authority and the Developer, to finance a multifamily rental housing development (the "Project") in the County of Los Angeles, California.

This Bond shall bear interest from the date to which interest has been paid next preceding the date of registration of this Bond (unless this Bond is registered as of an Interest Payment Date for which interest has been paid or after the fifteenth (15th) day of the month next preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date).

The Bonds shall be subject to redemption prior to maturity, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, (a) in whole or in part on any Interest Payment Date if insurance or condemnation awards are received with respect to the Project, (b) in whole on any date if the Loan is accelerated following a default by the Developer; or (c) in whole on any date on which any Credit Facility expires, unless the Trustee receives a renewal or extension of or replacement for such Credit Facility meeting the requirements of the Loan Agreement not less than thirty (30) days before the expiration of such Credit Facility.

The Bonds shall also be subject to redemption in whole on any date or in part on any Interest Payment Date, in an amount equal to any voluntary prepayments of the Loan, at a redemption price equal to the principal amount of Bonds redeemed, plus interest accrued thereon to the date of redemption, plus the applicable premium (expressed as a percentage of the principal amount of Bonds redeemed) set forth below, as follows:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption</u> <u>Premium</u>
	3%
	2%
	1%
	0%

Notice of Redemption of Bonds shall be given to the registered owners thereof by mail, as provided in the Indenture, not more than thirty (30) days and not less than fifteen (15) days or, in

the case of redemption following an acceleration of the Loan, not more nor less than five (5) days before the date fixed for redemption. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest hereon shall cease to accrue from and after the date fixed for redemption.

Bonds subject to redemption may be purchased in lieu thereof as provided in the Indenture. If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders of at least a majority in aggregate principal amount of the Bonds then outstanding.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same series of other authorized denominations.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of the same series and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The Authority and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The Indenture contains provisions permitting the Authority and the Trustee to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture. Additional bonds on a parity with the Bonds may be issued pursuant to the terms of the Indenture.

No officer, agent or employee of the Authority, and no officer, official, agent or employee of the County of Los Angeles or the State of California, nor any person executing this Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds.

The Authority hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES has caused this Bond to be executed in its name by the manual or facsimile signature of the Chair of its Board of Commissioners and attested by the manual or facsimile signature of the Executive Officer-Clerk of the Board of Commissioners, all as of November 7, 1985.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By _____
Chair
Board of Commissioners

Attest:

Executive Officer-Clerk of the
Board of Commissioners

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and has been registered on this date:

U.S. Bank National Association, as Trustee

By _____
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated:

(Signature)

Notice: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT C

FORM OF TENDER NOTICE

Notice of Demand for Purchase

To: U.S. Bank National Association

The undersigned is the registered owner of The Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily Housing Revenue Bond(s) (Sand Canyon Ranch Project) 1985 Series F, No(s). _____ (the "Bonds"). The undersigned hereby irrevocably demands payment of \$_____ aggregate principal amount of the Bonds (which amount is an integral multiple of \$100,000) and accrued interest thereon to the date of payment (the "Purchase Price").

Payment of the Purchase Price shall be made in the following manner:

[check and complete (a) or (b)]

☐ (a) By check mailed to the undersigned at the following address:

_____; or

☐ (b) By wire transfer of immediately available funds to Account No. _____ at the following bank: _____

Payment shall occur on (the "Demand Date"), which shall be not prior to the seventh (7th) calendar day after (but not including) the date of receipt of this notice by U.S. Bank National Association, as Tender Agent (the "Tender Agent") or, if such seventh calendar day is not a Business Day (as defined in the Indenture pursuant to which the Bonds were issued), the Business Day next succeeding such day. Delivery hereof shall be made in person or by registered mail, return receipt requested, to the address set forth above and shall occur upon receipt hereof by the Tender Agent on a Business Day. The Bonds shall be tendered to the Tender Agent, at its address set forth above, with a duly executed instrument of transfer in the form set forth on the Bonds, with signature guaranteed in a manner satisfactory to the Tender Agent, at or prior to 9:30 a.m., New York time, on the Demand Date, and if the Bonds are not delivered by such time, the undersigned shall not be entitled to payment of the Purchase Price therefor. The Bonds shall conform in all respects to the description thereof in this Notice.

The undersigned hereby authorizes and directs Banc of America Securities LLC, as Remarketing Agent, to arrange for the sale of all or any part of the Bonds at not less than par plus accrued interest to the Demand Date. In the event of such a sale, payment of the Purchase Price of the Bonds shall be made on the Demand Date as hereinabove provided.

(Name of Registered Owner)

Date: _____

Authorized Signature

EXHIBIT D
FORM OF INVESTOR LETTER

[Date]

The Housing Authority
of the County of Los Angeles
Monterey Park, California

U.S. Bank National Association
Los Angeles, California

Re: County of Los Angeles Variable Rate Demand Multifamily Housing
Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby acknowledges receipt as transferee, from the previous owner thereof, of County of Los Angeles Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F (the "Bonds"), dated as of _____, _____, and bearing interest from the date of issuance thereof, in fully registered form and in the aggregate principal amount of \$_____, constituting all of the Bonds currently outstanding. The Bonds have been checked, inspected and approved by the Purchaser.

The undersigned acknowledges that the Bonds were issued for the purpose of making a mortgage loan to assist in financing a certain multifamily rental housing development located in the County of Los Angeles, California (the "Project"), as more particularly described in that certain Amended and Restated Loan Agreement, dated as _____, _____ (the "Loan Agreement"), by and between The Housing Authority of the County of Los Angeles (the "Issuer") and Palmer-Saugus, A California Limited Partnership (the "Owner"). The undersigned further acknowledges that the Bonds are secured by a certain Amended and Restated Indenture of Trust, dated as of _____, _____ (the "Indenture"), between the Issuer and U.S. Bank National Association, as successor Trustee (the "Trustee"), which creates a security interest in loan repayments made pursuant to the Loan Agreement for the benefit the holders and owners of the Bonds, and by a deed of trust and assignment of rents with respect to the Project (the "Mortgage"), which creates a security interest in the Project, subject to permitted encumbrances, as provided therein.

In connection with the sale of the Bonds to the Purchaser, the Purchaser hereby makes the following representations upon which you may rely:

1. The Purchaser hereby certifies that it is (a) a bank as defined in Section 3(a)(2) of the Securities Act of 1933, or a savings and loan association or other institution as defined in Section 3(a)(5)(a) of that act whether acting in its individual or fiduciary capacity; or (b) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; or (c) an insurance company as defined in Section 2(13) of that act; or (d) an investment company registered under the Investment Company Act of 1940 or a business development company as

defined in Section 2(a)(48) of that act; or (e) a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; or (f) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivision for the benefit of its employees, if investment decisions are made by a plan fiduciary which is a bank, savings and loan association, insurance company, or registered investment advisor and the plan establishes fiduciary principles the same as or similar to those contained in Sections 404-407 of Title I of the Employee Retirement Income Security Act of 1974; or (g) an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

2. The Bonds are being acquired by the Purchaser for investment and not with a view to, or for resale in connection with, any distribution of the Bonds or any beneficial interest therein, and the Purchaser intends to hold the Bonds for its own account and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds or any beneficial interest therein. The Purchaser understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

3. The Purchaser understands that the Bonds have not been registered under the Securities Act of 1933, as amended (the "Act"). The Purchaser acknowledges that the Issuer requires that, if the Bonds are disposed of by it, current information, including all current financial statements with respect to the Project, which meets the disclosure requirements of any applicable state and federal securities laws then in effect, concerning the Bonds and the Project must be furnished to any prospective purchaser, and that any disclosure document must be delivered to the Issuer before the Bonds are offered for sale to any prospective purchaser, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

4. The Purchaser acknowledges that it is familiar with the conditions, financial and otherwise, of the Owner and understands that the Owner has no significant assets other than the Project. To the extent deemed appropriate in making its investment decision, the Purchaser has discussed the Owner's financial condition and the Owner's current and proposed business activities with the Owner. The Purchaser further acknowledges that it has such knowledge and experience in business matters that it is fully capable of evaluating the merits and risks of this investment and it is able to bear the economic risk of the investment. The Bonds are a security of the kind the Purchaser wishes to purchase and hold for investment, and the nature and amount of the Bonds are consistent with the Purchaser's investment program. The Purchaser has been furnished such information and such documents as the Purchaser deems necessary to make a decision to purchase the Bonds, including copies or forms of the Indenture, the Loan Agreement, the Mortgage and the Regulatory Agreement, dated as of October 1, 1984, by and among the Issuer, the Owner and the Trustee, and certain other documents relating to the Bonds and the Project, all of which documents the Purchaser has reviewed. Specifically, but without limitation,

the Purchaser has reviewed information about the Project, the concept for the Project, and the property manager for the Project, as well as information about the investment risks relating to the Bonds, and the Purchaser understands that the Bonds involve a high degree of risk. Specifically, and without in any manner limiting the foregoing, the Purchaser understands and acknowledges that, among other risks, the Bonds are payable solely from revenues derived from the Project. The Purchaser has made such inquiry with respect to all of the foregoing as it believed to be desirable for its purposes.

5. The Purchaser has received from the Issuer no formal or informal offering or disclosure document relating to the Bonds and has concluded that the receipt of one prior to the purchase of the Bonds is not required. It is acknowledged that no written information has been provided by the Issuer, and that any written information furnished by any other party to the transaction does not purport to fully disclose all information pertinent to the Bonds.

6. The Purchaser is not now and has never been controlled by, or under common control with, the Owner. The Owner has never been and is not now controlled by the Purchaser. The Purchaser has entered into no arrangements with the Owner or with any affiliate in connection with the Bonds, other than as disclosed to the Issuer.

7. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

8. In entering into this transaction the Purchaser has not relied upon any representations or opinions made by the Issuer relating to the legal consequences or other aspects of the transactions, nor has it looked to, nor expected, the Issuer to undertake or require any credit investigation or due diligence reviews relating to the Owner, its financial condition or business operations, the Project (including the financing, acquisition, construction operation or management thereof), or any other matter pertaining to the merits or risks of the transaction, or the adequacy of any collateral pledged to the Trustee to secure repayment of the Bonds. The Purchaser understands and acknowledges that the obligations of the Owner under the Loan Agreement are not recourse obligations against the general assets of the Owner, but are secured only by the Project to the extent provided in the Mortgage.

9. The Purchaser understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision or taxing district thereof, including, without limitation, the Issuer; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the Issuer, the State of California or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the Issuer with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

10. The purchaser has been informed that the Bonds have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii)

will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

11. The Purchaser has obtained, from representatives of the Owner and others, all information regarding the Bonds which it has deemed relevant. The Purchaser has asked of the Owner and all other relevant parties all the questions to which the Purchaser desired answers, and has had those questions satisfactorily answered. Neither the Owner nor the Issuer nor any other relevant party has refused to disclose any information.

12. Although the Purchaser does not intend at this time to dispose of all or any part of the Bonds or any beneficial interest therein, the Purchaser acknowledges that it has the right to sell and transfer the Bonds, subject to the following requirements:

(a) The Purchaser will not sell or otherwise transfer any of the Bonds or any beneficial interest therein unless such transfer will not result in the transferee owning less than all of the Bonds and all beneficial interests therein, except with the prior written approval of the Issuer; and

(b) The Purchaser will not sell or otherwise transfer any of the Bonds or any beneficial interest therein without requiring the transferee to deliver to the Issuer and to the Trustee an investor's letter to the same effect as this Investor's Letter, including this paragraph 12, with no revisions except as may be approved in writing by the Issuer.

[PURCHASER]

By: _____

Name: _____

Title: _____

AMENDED AND RESTATED LOAN AGREEMENT

Between

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

And

PALMER-SAUGUS, A CALIFORNIA LIMITED PARTNERSHIP

Dated as of _____ 1, 2003

Amending and restating
Loan Agreement
dated as of November 1, 1985

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AMENDED AND RESTATED LOAN AGREEMENT

THIS AMENDED AND RESTATED LOAN AGREEMENT, dated as of _____, 2003, by and between THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES (the “Issuer”), and PALMER-SAUGUS, A CALIFORNIA LIMITED PARTNERSHIP, amending and restating Loan Agreement, dated as of November 1, 1985, between the Issuer and the Developer (the “Original Loan Agreement”),

W I T N E S S E T H

RECITALS

WHEREAS, the Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the “Law”) to issue revenue bonds for the purpose of assisting in the financing of multifamily rental housing; and

WHEREAS, the Developer has requested the assistance of the Issuer in financing a multifamily rental housing development to be located in the County of Los Angeles, California, as more particularly described in Exhibit A hereto (the “Project”), and as a condition to such financial assistance the Developer entered into a Regulatory Agreement (the “Regulatory Agreement”), setting forth certain restrictions with respect to the Project; and

WHEREAS, after due investigation and deliberation, the Issuer has determined to assist in the financing of the Project by issuing The Housing Authority of the County of Los Angeles Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F (the “Initial Series of Bonds”), in the principal amount of \$14,500,000, \$14,400,000 aggregate principal amount of which remains outstanding, and making a loan to the Developer of such principal amount (the “Loan”), upon the terms and conditions set forth herein; and

WHEREAS, the Developer is causing to be delivered to the Trustee by the Federal Home Loan Mortgage Corporation (the “Credit Facility Provider”) credit and liquidity support for the Bonds in the form of a Credit Enhancement Agreement between the Credit Facility Provider and the Trustee and is requesting certain amendments to the Loan Agreement to facilitate such delivery; and

WHEREAS, the Issuer has agreed to so amend the Loan Agreement.

NOW THEREFORE, in consideration of the premises and the respective representations and covenants herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.1 Definition of Terms. Unless the context otherwise requires, the capitalized terms used in this Agreement shall have the meanings specified in the Regulatory Agreement or in Section 1.01 of the Amended and Restated Indenture of Trust, dated as of _____, 2003 (the “Indenture”), by and between the Issuer and U.S. Bank National Association as Trustee (the “Trustee”), as such Indenture is originally executed or as it may from time to time be supplemented or amended as provided therein.

Section 1.2 Rules of Construction. (a) The singular form of any word used herein, including the terms defined in Section 1.01 of the Indenture, shall include the plural, and vice versa. The use herein of a word of any gender shall include correlative words of all genders.

(b) Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivisions of this Agreement as originally executed. The words “hereof,” “herein,” “hereunder” and words of similar import refer to this Agreement as a whole.

(c) The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

ARTICLE II

GENERAL REPRESENTATIONS AND AGREEMENTS

Section 2.1 Representations and Agreements of the Issuer. The Issuer makes the following representations as the basis for its undertakings herein contained:

(a) The Issuer is a public body corporate and politic, duly organized and existing and having the powers as described in the Recitals hereto and in the Law, and each of such Recitals is true and correct and is hereby confirmed. Under the provisions of the Law, the Issuer has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. The financing of the Project constitutes and will constitute a permissible public purpose under the Law. By proper action, the Board of Commissioners of the Issuer has authorized the execution, delivery and due performance of this Agreement.

(b) To finance the Cost of the Project, the Issuer issued the Initial Series of Bonds, which mature, bear interest and are subject to redemption as set forth in the Indenture.

(c) The Bonds are issued under and secured by the Indenture, pursuant to which the Issuer’s interest in this Agreement (except certain rights of the Issuer to payment for fees, expenses and indemnification and certain rights of enforcement) is

pledged to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(d) The Issuer has not pledged and will not pledge its interest in this Agreement for any purpose other than to secure the Bonds under the Indenture.

(e) The Issuer is not in default under any of the provisions of the laws of the State of California which default would affect its existence or its powers referred to in subsection (a) of this Section 2.1.

(f) The Issuer has found and determined and hereby finds and determines that all requirements of the Law with respect to the issuance of the Initial Series of Bonds and the execution of this Agreement have been complied with, and that financing the Project by issuing the Initial Series of Bonds, entering into this Agreement and making the Loan will be in furtherance of the purposes of the Law.

(g) No officer or other official of the Issuer has any interest whatsoever in the Project or the Developer or in the transactions contemplated by this Agreement.

Section 2.2 Representations and Agreements of the Developer. The Developer makes the following representations as the basis for its undertakings herein contained:

(a) The Developer is a limited partnership duly formed under the laws of the State of California, is in good standing in the State of California, has the power and authority to own its properties and assets and to carry on its business as now conducted and as contemplated to be conducted, and has the power to enter into and has duly authorized, by proper action; the execution and delivery of this Agreement and all other documents contemplated hereby to be executed by the Developer, including the Regulatory Agreement and the Credit Agreement.

(b) Neither the execution and delivery of this Agreement or any other document in connection with the financing of the Project, the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions hereof and thereof, conflicts with or results in a breach of any of the terms, conditions or provisions of the Developer's limited partnership agreement or of any agreement or instrument to which the Developer is now a party or by which it is bound, or constitutes a default (with due notice or the passage of time or both) under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Developer under the terms of any instrument or agreement to which the Developer is now a party or by which it is bound.

(c) The Project is located wholly within the unincorporated area of the County of Los Angeles, California.

(d) The Developer has and will have title to the Project sufficient to carry out the purposes of this Agreement, and such title shall be in and remain in the Developer except as permitted by Section 5.2 hereof and the Regulatory Agreement.

(e) The Cost of the Project is as set forth in the Tax Certificate.

(f) The Project consists and will consist of those facilities described in the Tax Certificate, and the Developer shall make no changes to the Project or to the operation thereof which would affect the qualification of the Project under the Law or impair the exemption from federal income taxation of the interest on the Bonds. The Developer intends to utilize the Project as multifamily rental housing during the term of the Required Rental Period.

(g) Acquisition, construction, improving and equipping of the Project commenced subsequent to the Inducement Date, and prior to the Inducement Date neither the Developer nor any related person had entered into any binding agreement in connection with the acquisition, construction, improving or equipping of the Project, no on-site work had been commenced in connection with the construction of the Project, and no off-site fabrication of any portion of the Project had been commenced. The Project consists, and will at all times consist, of property which is land or is subject to the allowance for depreciation provided in Section 167 of the Code. All of the proceeds of the Bonds were used to pay Costs of the Project, and at least 92% of the sum of the proceeds of the Initial Series of Bonds plus income from the investment thereof (after payment of costs of issuance thereof) were used to pay Costs of the Project which are chargeable to the capital account of the residential units of the Project, and which were paid or incurred after the Inducement Date. None of the proceeds of the Bonds will be used to finance any portion of the Project which was utilized by the Developer one year or more prior to the date of issuance of the Bonds.

(h) The Developer incurred within six months following the date of issuance of the Bonds a substantial binding obligation to acquire and construct the Project of at least \$100,000. The Developer proceeded with due diligence to construct the Project and expended the full amount of the Loan by November 1, 1988.

(i) Under Rev. Proc. 62-21, the average reasonably expected economic life of the Project is at least 40 years; the average maturity of the Initial Series of Bonds is not more than 120% of such economic life; and there are no facilities integrally associated with the Project that, under the terms of this Agreement, could be financed with the proceeds of the Initial Series of Bonds but are not being so financed.

(j) Less than 25% of the proceeds of the Bonds were used, directly or indirectly, for the acquisition of land or an interest therein, and unless an approving opinion of Bond Counsel is obtained, the Developer will spend proceeds (on costs that otherwise qualify for financing under Section 103(b)(4), (5) or (6) of the Code) sufficient to reduce the portion of net proceeds spent on land to no more than 25% of the total amount of net proceeds spent for all purposes; none of the proceeds of the Bonds will be

used, directly or indirectly, for the acquisition of land, or an interest therein, to be used for farming purposes; none of the proceeds of the Bonds will be used for the acquisition of any property or an interest therein unless the first use of such property is pursuant to such acquisition, except with respect to any building and the equipment therefor if the rehabilitation expenditures with respect to such building equal or exceed 15% of the cost of acquiring such building and equipment; and only the permitted portion of the proceeds of the Bonds will be used to finance commercial property.

(k) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of the Developer, threatened against or affecting it or any of its properties or rights, which, if adversely determined, would materially impair its right to carry on business substantially as now conducted or as now contemplated to be conducted, or would materially adversely affect its financial condition. The Developer is not in material default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which it is a party.

(l) The operation of the Project in the manner presently contemplated and as described herein will not conflict with any zoning, water or air pollution or other ordinance, order, law or regulation applicable thereto. The Developer has caused the Project to be designed in accordance with all federal, state and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(m) The Developer has filed or caused to be filed all federal, state and local tax returns which are required to be filed, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due.

(n) To the best of the Developer's knowledge, the information contained in the Official Statement of the Issuer with respect to the Bonds, insofar as such information relates to the Developer and the Project, is accurate in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under, which they were made, not misleading.

(o) No officer or other official of the Issuer has any interest whatsoever in the Project or the Developer or in the transactions contemplated by this Agreement.

(p) The Developer obtained on or before the date required therefor, all necessary certificates, approvals, permits and authorizations with respect to the construction of the Project from applicable local governmental agencies and agencies of the State of California and the federal government.

ARTICLE III

COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 11.20. [Completion of the Project](#). The Developer has completed the acquisition, construction and installation of the Project, and has acquired, constructed and installed all other facilities and real and personal property deemed necessary for the operation of the Project, substantially in accordance with the plans and specifications prepared therefor by the Developer and approved by the Issuer. The Developer proceeded with due diligence to complete the Project within three years from the date hereof.

Section 11.21. [Agreement to Issue Bonds; Application of Bond Proceeds](#). To provide funds to finance the Cost of the Project as provided in Section 4.1 hereof, the Issuer issued under the Indenture, and sold and caused to be delivered to the purchasers thereof, the Initial Series of Bonds, bearing interest at the rates and payable as to principal and interest at the times as set forth in the Indenture, and deposited the proceeds received from the sale of the Initial Series of Bonds as provided in the Indenture.

Section 11.22. [\[Reserved\]](#).

Section 11.23. [\[Reserved\]](#).

Section 11.24. [Investment of Moneys](#). Any moneys in any fund or account held by the Trustee shall be invested or reinvested by the Trustee in Investment Securities as provided in the Indenture, and the Developer hereby approves such provisions of the Indenture.

[Section 3.1 Issuance of Additional Bonds](#). If the Developer is not in default hereunder, the Issuer may, in its sole discretion, by the adoption of an appropriate resolution or resolutions, at the request of the Developer and with the consent of the Credit Facility Provider in its sole discretion, authorize the issuance of Additional Bonds upon the terms and conditions provided herein and in Section 2.08 of the Indenture, but in no event shall the Issuer be liable for not issuing such Additional Bonds. Additional Bonds may be issued only to provide funds to pay any one or more of the following: (i) the costs of completing the Project; (ii) the costs of making at any time or from time to time such substitutions, additions, modifications and improvements to the Project or any portion thereof, as authorized by the Law, as the Developer may deem necessary or desirable; and (iii) the costs of the issuance and sale of the Additional Bonds, interest expenses during the Construction Period and other costs reasonably related to the financing as shall be agreed upon by the Developer and the Issuer. Prior to the issuance of such Additional Bonds, the terms thereof, the purchase price to be paid therefor and the manner in which the proceeds therefrom are to be disbursed shall have been approved in writing by the Developer; the Developer and the Issuer shall have entered into an amendment to this Agreement to provide that, for all purposes of this Agreement, the Project shall include any facilities being financed by the Additional Bonds, which facilities shall be described in an amendment to

Exhibit A hereto, and to provide for an increase in the amount payable under Section 4.2 hereof as shall be necessary to pay the principal of, premium, if any, and interest on the Additional Bonds as provided in the supplemental indenture to be paid with respect to such Additional Bonds; and the Issuer shall have otherwise complied with the provisions of Section 2.08 of the Indenture with respect to the issuance of such Additional Bonds. The Developer shall pay, or cause to be paid by persons other than the Issuer, all costs of issuance of any Additional Bonds not paid from the proceeds of sale thereof.

ARTICLE IV

LOAN OF PROCEEDS; PAYMENT PROVISIONS

Section 4.1 Loan of Bond Proceeds. The Issuer covenants and agrees, upon the terms and conditions in this Agreement, to make the Loan to the Developer in an amount equal to the aggregate principal amount of the Initial Series of Bonds, for the purpose of financing the Cost of the Project. Pursuant to said covenant and agreement, the Issuer issued the Initial Series of Bonds upon the terms and conditions contained in this Agreement and the Indenture and caused the proceeds of the Initial Series of Bonds to be applied as provided in Article III of the Original Indenture. Except as provided in Section 3.02 of the Indenture, such proceeds shall be disbursed as provided in Section 3.3 of the Original Agreement.

Section 4.2 Loan Repayment and Payment of Other Amounts.

(a) The Developer hereby acknowledges its indebtedness to the Issuer and agrees to repay the Loan in the amounts and at the times necessary to enable the Trustee, on behalf of the Issuer to pay, or cause to be paid by the Servicer or otherwise, when due all amounts payable with respect to the Bonds when due, whether at maturity or by redemption or acceleration or otherwise. The Developer hereby agrees to cause the Credit Facility to be delivered to the Trustee in accordance with the terms of the Credit Agreement and Section 5.8 hereof.

(b) The Developer agrees: (1) to pay to the Trustee, or cause to be paid by the Servicer or otherwise, from time to time reasonable compensation for all services rendered by it under the Indenture and the other agreements relating to the Bonds to which the Trustee is a party (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); (2) except as otherwise expressly provided in the Indenture or such other agreement, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances (including reasonable counsel fees) incurred or made by the Trustee in accordance with any provision of the Indenture or other agreements to which the Trustee is a party (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and (3) to indemnify the Trustee for, and hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust under the Indenture or any other Agreement relating to the Bonds to which the Trustee is a party, including the costs and expenses

of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties thereunder.

(c) The Developer also agrees to pay, or cause to be paid by the Servicer or otherwise, (i) to the Issuer within thirty (30) days after receipt of request for payment thereof, all reasonable expenses of the Issuer related to the Project and the financing thereof which are not otherwise required to be paid by the Developer under the terms of this Agreement, and (ii) to the Trustee, for remittance to the Issuer, on November 1 of each year commencing November 1, 1986, until the earlier of the end of the Required Rental Period or the date of prepayment of the Loan in full, an annual fee of the Issuer for monitoring compliance with the Regulatory Agreement, in an amount equal to 0.125% of the principal amount of Bonds outstanding on such November 1.

(d) The Developer also agrees to pay, or cause to be paid by the Servicer or otherwise, (i) so long as any Bonds are outstanding, the fees of the Credit Facility Provider; and (ii) until Conversion, the fees of the Remarketing Agent and the Tender Agent.

Section 4.3 Unconditional Obligation. The obligations of the Developer to make the payments required by Section 4.2 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer, and during the term of this Agreement, the Developer shall pay absolutely net the payments required hereunder, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Developer (i) will not suspend or discontinue any payments provided for in Section 4.2 hereof; (ii) will perform and observe all of its other covenants contained in this Agreement; and (iii) except as provided in Article VIII hereof, will not terminate this Agreement for any cause, including, without limitation, failure to complete the Project, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision or either of these, or any failure of the Issuer or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement or the Indenture, except to the extent permitted by this Agreement.

Section 4.4 Assignment of Issuer's Rights. As security for the payment of the Bonds, the Issuer hereby assigns to the Trustee certain of the Issuer's rights under this Agreement, including the right to receive payments hereunder (except the right of the Issuer to receive certain payments, if any, with respect to fees, expenses and indemnification under Sections 4.2(c), 7.3, 9.2 and 9.3 hereof), and the Issuer hereby directs the Developer to make the payments required hereunder (except such payments for fees, expenses and indemnification) directly to the Trustee. The Developer hereby assents to such assignment and agrees to make payments directly to the Trustee without defense or set-off by reason of any dispute between the Developer and the Issuer or the Trustee. By virtue of such assignment, the Trustee shall be a

third-party beneficiary of this Agreement and shall have the right to enforce the obligations of the Developer hereunder.

Section 4.5 Servicing of the Loan. The Servicer shall service the Project Loan pursuant to the Guide (as defined in the Credit Agreement). The Authority, the Trustee and the Developer acknowledge and agree that (i) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (ii) neither the Authority nor the Trustee shall terminate or attempt to terminate any Servicer as the servicer for the Project Loan; (iii) the Guide is subject to amendment or termination without the consent of the Trustee, the Authority or the Developer; and (iv) none of the Trustee, the Authority or the Servicer shall have any rights under, or be a third party beneficiary of, the Guide. The Servicer shall have the right to collect all payments made by the Developer in connection with the Loan, and to receive copies of all reports and notices provided for by the documents executed by the Developer in connection with the Loan.

ARTICLE V

SPECIAL COVENANTS AND AGREEMENTS

Section 5.1 Right of Access to the Project and Records. The Developer agrees that during the term of this Agreement the Issuer, the Trustee, the Credit Facility Provider, the Servicer and the duly authorized agents of each of them shall have the right at all reasonable times and upon reasonable notice during normal business hours to enter upon the site of the Project to examine and inspect the Project and to have access to the books and records of the Developer with respect to the Project.

Section 5.2 Maintenance of Existence; Assignments.

(a) The Developer agrees that during the term of this Agreement it will remain in good standing and qualified to do business in the State of California and will maintain its existence as a limited partnership, will not dissolve or otherwise dispose of all or substantially all of its assets and will not combine or consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, however, that the Developer may so combine, consolidate with, or merge into another entity existing under the laws of one of the states of the United States, or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity all or substantially all of its assets as an entirety and thereafter dissolve, provided that the surviving, resulting or transferee entity, as the case may be, (i) assumes and agrees in writing to pay and perform all of the obligations of the Developer hereunder, and (ii) qualifies to do business in the State of California; and provided further that the Developer shall have obtained the written approval of the Credit Facility Provider.

(b) The rights and obligations of the Developer under this Agreement may be assigned by the Developer to any person in whole or in part, in connection with and in proportion to, any conveyance of all or part of the Project permitted by Section 2(g) of the Regulatory Agreement; provided that (i) the assignee shall assume in writing the obligations of the

Developer hereunder to the extent of the interest assigned, and a copy of such instrument of assumption shall be delivered to the Issuer and the Trustee within ten (10) days after the execution thereof; and (ii) the Developer shall remain liable for its obligations hereunder to the extent of any interest not so assigned.

(c) The rights and obligations of the Developer under this Agreement may also be assigned by the Developer to any person in whole or in part, subject, however, to each of the following conditions:

(i) No assignment other than pursuant to subsection (a) or (b) of this Section shall relieve the Developer from primary liability for any of its obligations hereunder, and in the event of any assignment not pursuant to subsection (a) or (b) of this Section the Developer shall continue to remain primarily liable for the payments specified in Section 4.2 hereof and for performance and observance of the other agreements on its part herein provided to be performed and observed by it.

(ii) Any assignment from the Developer shall retain for the Developer such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the Developer shall assume the obligations of the Developer hereunder to the extent of the interest assigned.

(iii) The Developer shall, within thirty (30) days after delivery thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment together with an instrument of assumption.

(iv) The Developer shall have obtained prior written consent to such assignment from the Credit Facility Provider.

Section 5.3 Statement of Compliance; Notice of Certain Events.

(a) The Developer will deliver to the Issuer and the Trustee, within 120 days after the end of each calendar year, a written statement signed by an Authorized Developer Representative of the Developer stating, as to the signers thereof, that (1) a review of the activities of the Developer during such year and of performance under this Agreement has been made under their supervision, and (2) to the best of their knowledge, based on such review, the Developer has fulfilled all its obligations throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to them and the nature and status thereof.

(b) The Developer hereby covenants to notify the Issuer and the Trustee in writing of the occurrence of any Event of Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. Such notice shall be given promptly, and in no event less than ten (10) Business Days after the Developer receives notice or knowledge of the occurrence of any such event. The Developer further agrees that it will, and will require the Credit Facility Provider to, give prompt written notice to the Trustee if insurance proceeds or

condemnation awards are received with respect to the Project and are not used to repair or replace the Project, which notice shall state the amount of such proceeds or award.

Section 5.4 Insurance; Maintenance and Repair. The Developer agrees to insure the Project or cause the Project to be insured during the term of this Agreement for such amounts and for such occurrences as are customary for similar facilities within the State of California, by means of policies issued by reputable insurance companies admitted to do business in the State of California and to provide the Issuer, the Trustee, the Credit Facility Provider and the Servicer with evidence of such insurance and to annually certify compliance with the insurance requirements.

The Developer further agrees to maintain the Project, or cause the Project to be maintained, during the term of this Agreement (i) in a reasonably safe condition and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 5.5 Additional Instruments. The Developer hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the opinion of the Issuer, the Trustee, the Credit Facility Provider and the Servicer, to carry out the intent hereof or to perfect or give further assurances of any of the rights granted or provided for herein or contemplated hereby.

Section 5.6 Tax Exempt Status of Bonds. It is the intention of the parties hereto that interest on the Bonds shall be and remain exempt from federal income taxation, and to that end the covenants and agreements of the Issuer and the Developer in this Agreement are for the benefit of the Trustee and each and every holder of the Bonds.

The Developer further represents, warrants and agrees that:

- (a) It will not take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds (other than with respect to a “substantial user” or “related person” under Section 147(a) of the Code) and, if it should take or permit, or omit to take or cause to be taken, any such action, the Developer shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof and specifically agrees to be bound by the provisions of Section 6.06 of the Indenture;
- (b) It will take such action or actions as may be necessary, in the reasonable opinion of Bond Counsel, including, without limitation, consenting to the amendment of this Agreement, the Indenture, the Regulatory Agreement or the Deed of Trust, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements with respect to federal tax exemption promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142 of the Code, which are necessary in the opinion of Bond Counsel to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;

- (c) It will execute and file of record appropriate amendments to the Regulatory Agreement and assure the recording of such document and take any other steps as are necessary, in the reasonable opinion of Bond Counsel, in order to insure that the requirements and restrictions of this Section 5.6 will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Regulatory Agreement. The Developer hereby covenants to include such requirements and restrictions in any documents transferring any interest in the Project to another to the end that such transferee has notice of, and is bound by such restrictions to the extent and for the period provided therein and to obtain the agreement from any transferee to so abide; and
- (d) It will pay the Rebate Amounts in connection with the Bonds that are due under and at the times required by Section 148 of the Code and Section 5.07 of the Indenture.

The Developer further agrees that it shall not discriminate on the basis of race, creed, color, sex, age or national origin in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation and management of the Project.

The Developer further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions hereof, of the Indenture and of the Regulatory Agreement, and that in any event, the requirements of this Agreement and the Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith and therewith.

Section 11.25. [Regulatory Agreement](#). In order to maintain the exemption from federal income taxation of interest on the Bonds and to assure compliance with the Law and certain additional requirements of the Issuer, the Developer executed and delivered and caused to be recorded the Regulatory Agreement. The Developer hereby further agrees as follows:

(a) The Developer shall submit to the Administrator, (i) at the time of initial occupancy of any Low or Moderate Income Tenant, (ii) upon the vacancy and reoccupancy of any unit held available for Low or Moderate Income Tenants, and (iii) as often as necessary to comply with the requirements of Section 103(b)(4)(A) of the Code, a Verification of Income and an Occupancy Certificate, each in a form acceptable to the Administrator, each of which shall be subject to independent investigation and verification by the Administrator. After the Project is fully rented and during the Qualified Project Period, the Developer shall file with the Administrator a Certificate of Continuing Compliance in the form acceptable to the Administrator. The books and records of the Developer pertaining to the incomes of Low or Moderate Income Tenants residing in the Project shall be open to inspection by any authorized representative of the Issuer, the Trustee and the Administrator.

(b) The Developer shall comply with every other term of the Regulatory Agreement, and the Developer hereby acknowledges that in the event of a default under the Regulatory Agreement which is not cured within a reasonable period of time (at least 60 days

after such default is first discovered or would have been discovered by the exercise of reasonable diligence) the Loan may be accelerated and the Deed of Trust on the Project may be foreclosed upon. The Developer agrees to cause any amendments to the Regulatory Agreement to be recorded in the appropriate official public records.

Section 11.26. [Credit Facility](#). At all times before Conversion the Developer shall cause to be provided and continuously available to the Trustee, as beneficiary, an irrevocable Credit Facility meeting the requirements of subsection (a) of this Section; and at all times after Conversion the Developer shall cause to be provided and continuously available to the Trustee an irrevocable Credit Facility meeting the requirements of subsection (b) of this Section. The Developer shall have the right at any time, whether or not in connection with Conversion or the pending expiration of any then outstanding Credit Facility, to provide to the Trustee a substitute Credit Facility which meets the requirements of this Section, and the Trustee has been directed pursuant to Section 5.05 of the Indenture to accept any such substitute Credit Facility.

(c) The following requirements shall apply to any Credit Facility provided before Conversion:

(1) The Credit Facility initially provided shall be effective from no later than the date of initial authentication and delivery of the Bonds, and any Credit Facility provided in substitution for any then outstanding Credit Facility shall be for a term commencing not later than the expiration date of the term of the prior Credit Facility.

(2) Any Credit Facility provided in substitution for any then outstanding Credit Facility shall be for a term of not less than one (1) year; provided that any Credit Facility may provide that it shall terminate prior to its stated expiration date upon Conversion or upon receipt by the Credit Facility Provider of notice from the Trustee that no Bonds remain outstanding or upon the date of issuance and delivery of a substitute Credit Facility, except that any Credit Facility provided in connection with Conversion shall not be deemed to be a substitute for the Credit Facility then outstanding, which shall not expire until the close of business on the Conversion Date.

(3) Each Credit Facility shall be in an amount at any date not less than the sum of the aggregate principal amount of the Bonds, plus an amount equal to interest on the Bonds for a period of thirty-five (35) days at an assumed maximum rate not less than 12% per annum nor more than 20% per annum.

(4) Each Credit Facility shall have provisions permitting drawings thereunder to pay amounts due on either the Loan or the Bonds on the scheduled dates for payment of the Bonds or upon redemption or acceleration and to pay the purchase price of Bonds tendered for purchase as provided in Section 2.02 of the Indenture, and providing for automatic and irrevocable reinstatement of the amount thereof immediately

upon any drawing thereunder to pay interest on the Bonds, and shall be in a form acceptable to the Trustee.

(5) Each Credit Facility delivered to the Trustee must be accompanied by (i) an opinion of Bond Counsel addressed to the Trustee to the effect that delivery of the Credit Facility will not adversely affect the execution of interest on the Bonds from gross income for federal income tax purposes; and (ii) one or more Opinions of Counsel addressed to the Trustee to the effect, singly or together, that the Credit Facility is a legal, valid and binding obligation of the Credit Facility, enforceable against the Credit Facility in accordance with its terms, except as limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally as such laws may be applied in the event of a reorganization, insolvency, liquidation, readjustment of debt or other similar proceeding of or moratorium applicable to the Credit Facility and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and

(6) Each Credit Facility must be accompanied by (i) a written statement, signed by an officer of each rating agency which then maintains a rating on the Bonds, which states that the provision of any such Credit Facility will not cause a withdrawal or reduction of the rating on the Bonds subsequent to the delivery of such Credit Facility to below “A”, and (ii) the Credit Facility Provider’s address to which notices required to be given to the Credit Facility Provider hereunder and under the Regulatory Agreement, the Indenture and the Remarketing Agreement shall be sent.

(d) The following requirements shall apply to any Credit Facility provided in connection with or after Conversion, as applicable:

(1) The Credit Facility provided in connection with Conversion shall be delivered not less than 30 days before the Conversion Date and shall be effective from no later than the Conversion Date, and any Credit Facility provided in substitution for any then outstanding Credit Facility shall be for a term commencing not later than the expiration date of the prior Credit Facility.

(2) Each Credit Facility shall be for a term expiring not earlier than the earlier of ten (10) years from its commencement date; provided that any Credit Facility may provide that it shall terminate prior to its stated expiration date upon receipt by the Credit Facility Provider of notice from the Trustee that no Bonds remain outstanding or upon the date of issuance of a substitute Credit Facility.

(3) Each Credit Facility shall be in an amount at any date not less than the sum of the aggregate principal amount of the Bonds then outstanding, plus an amount equal to interest on the Bonds for a period of 210 days, plus an amount equal to any redemption premium then applicable to the Bonds.

(4) Each Credit Facility shall contain provisions permitting drawings thereunder to pay amounts due on either the Loan or the Bonds on the scheduled dates for payment of the Bonds or upon redemption or acceleration, and providing for automatic and irrevocable reinstatement of the amount thereof immediately upon any drawing thereunder to pay interest on the Bonds, and shall be in a form acceptable to the Trustee.

(5) Each Credit Facility delivered to the Trustee must be accompanied by an opinion of Bond Counsel and one or more Opinions of Counsel, each addressed to the Trustee, to the effect set forth in subsection (a)(5) of this Section.

(6) The Credit Facility delivered to the Trustee in connection with Conversion shall be accompanied by a written statement, signed by an officer of the Rating Agency which then maintains a rating on the Bonds, to the effect that the long-term rating on the Bonds will not be reduced or withdrawn as a result of the delivery of such Credit Facility; and each subsequent Credit Facility delivered to the Trustee shall be accompanied by a written statement of such Rating Agency to the same effect.

(7) The Credit Facility delivered to the Trustee in connection with Conversion shall, unless issued by the same Credit Facility as the then outstanding Credit Facility, be accompanied by a written instrument of the issuer of such outstanding Credit Facility consenting to the Conversion.

(e) Any extension of any then existing Credit Facility shall not be considered a replacement Credit Facility for purposes of compliance with the provisions of the foregoing.

Notwithstanding anything to the contrary contained herein, for any period commencing with the Credit Facility Provider's purchase of the Bonds in lieu of redemption under Section 4.06 of the Indenture and ending when the Bonds are first remarketed thereafter, no Credit Facility shall be required to be provided to the Trustee so long as none of the Bonds are remarketed. The Credit Facility Provider may provide an Alternate Credit Facility as provided herein and may give to the Trustee notice of such expected substitution (i) at any time that such substitution is permitted by the Credit Agreement, as certified by the Credit Facility Provider to the Trustee, with a copy of the applicable provision of the Credit Agreement, or (ii) at any time that Purchased Bonds are Outstanding.

So long as no Wrongful Dishonor (as defined in the Intercreditor Agreement) has occurred, any amounts required to be transferred by the Servicer to the Trustee for reimbursement to the Credit Facility Provider following a draw on the Credit Facility Reimbursement Account may, with the consent of the Credit Facility Provider, be remitted directly to the Credit Facility Provider.

Section 11.27. [Indenture](#). The Developer hereby agrees to all of the terms and provisions of the Indenture and accepts each of its obligations expressed or implied thereunder. The Developer hereby approves the initial appointment under the Indenture of the Remarketing Agent for the Bonds.

ARTICLE VI

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF PROCEEDS

Section 6.1 Obligation to Continue Payments. If prior to full payment of the Bonds (or provision for payment thereof in accordance with the provisions of the Indenture) the Project or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Developer shall nevertheless be obligated to continue to pay the amounts specified in Article IV hereof, to the extent not prepaid in accordance with Article VIII hereof.

Section 6.2 Application of Net Proceeds. The Net Proceeds, if any, of any insurance or condemnation awards resulting from the damage, destruction or condemnation of the Project or any portion thereof shall, subject to the terms of the Reimbursement Mortgage (as defined in the Credit Agreement), be applied in one or more of the following ways at the election of the Developer by written notice to Issuer, the Credit Facility Provider, the Servicer and the Trustee:

(a) The prompt repair, restoration, relocation, modification or improvement of the stage of completion of construction of the damaged, destroyed or condemned portion of the Project to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or exercise of such power of eminent domain.

(b) Prepayment of all or a portion of the Loan, subject to and in accordance with Article VIII hereof, and redemption of Bonds; provided that no part of the Net Proceeds may be applied for such purpose unless (1) the entire amount of the Loan is so prepaid and all of the outstanding Bonds are to be redeemed in accordance with the Indenture, or (2) in the event that only a portion of the Loan is so prepaid, the Developer shall furnish to the Issuer and the Trustee a certificate of the Authorized Developer Representative acceptable to the Issuer and the Trustee stating (i) that the property forming part of the portion of the Project that was damaged or destroyed by such casualty or was taken by such condemnation proceedings is not essential to the Developer's use or possession of such portion of the Project or (ii) that such part of the portion of the Project theretofore completed has been repaired, replaced, restored, relocated, modified or improved to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or the taking by such condemnation proceedings.

Section 6.3 Insufficiency of Net Proceeds. If the Project or a portion thereof is to be repaired, restored, relocated, modified or improved pursuant to Section 6.2 hereof, and if the Net Proceeds are insufficient to pay in full the cost of such repair, restoration, relocation, modification or improvement, the Developer will nonetheless complete the work or cause the

work to be completed and will pay or cause to be paid any cost in excess of the amount of the Net Proceeds.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default. Any one of the following which occurs and continues shall constitute an Event of Default:

- (a) the occurrence of an Acceleration Default;
- (b) failure by the Developer to pay any amounts required to be paid under Section 4.2 hereof at the times specified therein or to observe and perform any other covenant, condition or agreement on its part required to be observed or performed by this Agreement (including performance of its obligations under the Regulatory Agreement), which is not an Acceleration Default, and which continues for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, given to the Developer by the Issuer or the Trustee, unless the Issuer and the Trustee shall, with the consent of the Credit Facility Provider, agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected;
- (c) the making of any representation or warranty by the Developer in this Agreement or in any document executed in connection with this Agreement which is false or misleading in any material respect; or
- (d) the occurrence of any event which is an Event of Default under Section 7.01 of the Credit Agreement, and receipt by the Trustee from the Credit Facility Provider of notice of such default and a request that it be treated as an Event of Default hereunder.

The provisions of subsection (b) of this Section, except with respect to defaults under the Regulatory Agreement, are subject to the limitation that the Developer shall not be deemed in default if and so long as the Developer is unable to carry out its agreements hereunder by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of California or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Developer; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Developer, and the Developer shall not be required to make settlement of strikes, lockouts and

other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Developer, unfavorable to the Developer. This limitation shall not apply to any default except under subsection (b) of this Section.

Section 7.2 Remedies on Default. Whenever any Event of Default shall have occurred and shall continue, the Issuer and the Trustee may take any one or more of the following remedial steps:

(a) The Trustee, upon the occurrence of an Acceleration Default, or at the request or with the consent of the Credit Facility Provider upon the occurrence of any other Event of Default hereunder, by written notice to the Developer, shall declare to be due and payable immediately the unpaid balance of the Loan.

(b) The Issuer and the Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Developer.

(c) The Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Developer under this Agreement.

(d) The Trustee may institute any action or proceeding at law or in equity for the collection of any sums due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Developer and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case the Trustee or the Issuer shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Issuer, then, and in every such case, the Developer, the Trustee and the Issuer shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Developer, the Trustee and the Issuer shall continue as though no such action had been taken.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Developer under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Developer or in the case of any other similar judicial proceedings relative to the Developer, or the creditors or property of the Developer, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Developer, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction

of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

Section 7.3 Agreement to Pay Attorneys' Fees and Expenses. In the event the Developer should default under any of the provisions of this Agreement and the Issuer or the Trustee should employ, attorneys or incur other expenses for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Developer herein contained, the Developer agrees to pay to the Issuer or the Trustee the reasonable fees of such attorneys and such other expenses so incurred by the Issuer or the Trustee.

Section 7.4 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required or required by law to be given. Such rights and remedies as are given the Issuer hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

Section 7.5 No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Agreement should be breached by the Developer and thereafter waived by the Issuer or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.6 Intercreditor Agreement Controls; Declaration of Defaults and Exercise of Remedies. So long as no Wrongful Dishonor (as defined in the Intercreditor Agreement) has occurred, the declaration of Events of Default described in Section 7.1 hereof and the exercise of remedies described in Section 7.2 hereof shall be subject to the provisions of the Intercreditor Agreement.

ARTICLE VIII

PREPAYMENT

Section 11.28. Prepayment of Loan. The Loan shall not be prepaid except as provided in this Section. No prepayment of the Loan shall relieve the Developer of its obligations under the Regulatory Agreement during the Required Rental Period. The Developer shall be deemed to have prepaid the Loan, in whole or in part, and the principal amount thereof shall be reduced accordingly, in an amount equal to the

principal amount of Bonds redeemed and on the date of such redemption, following receipt by the Trustee of notice from the Credit Facility Provider that the Loan shall be repaid when and in an amount as set forth in such notice.

The Developer agrees that it will not voluntarily prepay the Loan or any part thereof, except in accordance with the provisions of the Credit Agreement and except in whole multiples of \$100,000 on or before Conversion or \$5,000 after Conversion, and will not enter into any amendment or modification of the provisions for scheduled payment of its Payment Obligations under, and as defined in, the Credit Agreement.

Section 8.1 Redemption of Bonds Upon Prepayment. Upon any prepayment of the Loan as provided in Section 8.1, the Trustee is required by the Indenture to call all or part of the Bonds for redemption and to draw upon the Credit Facility in the respective amounts set forth in the applicable paragraph of Section 8.1, together in each case with an amount equal to interest and any premium on the Bonds to be redeemed.

Section 8.2 Amount of Prepayment. In the event of any prepayment pursuant to Section 8.1, the amount of the Loan deemed to be prepaid shall be equal to the principal amount of Bonds redeemed as described in Section 8.2. In the case of prepayment of the Loan in full, the Developer shall pay to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay all reasonable and necessary fees and expenses of the Issuer, the Trustee and any paying agent accrued and to accrue through final payment of the Bonds and all other liabilities of the Developer accrued and to accrue under this Agreement, and shall pay to the Issuer any amount required by Section 4.2(c). In the case of partial prepayment of the Loan, the Developer shall pay or cause to be paid to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay expenses of redemption of the Bonds to be redeemed upon such prepayment.

In addition, if the Developer shall prepay the Loan in whole during the Qualified Project Period, the Developer shall pay to the Administrator, on the date of such prepayment, an amount equal to the present value, as of the date of such prepayment, of the annual fees of the Administrator which would have been payable as provided in Section 4.2(c) for the remaining term of the Qualified Project Period, based on the amount of the Loan outstanding immediately prior to the date of such payment or prepayment (such present value calculated based upon a discount rate equal to the Yield on the Bonds (as hereinafter defined)), to compensate the Administrator for its services and expenses in monitoring compliance with the Regulatory Agreement for the remaining term of the Qualified Project Period. Notwithstanding the foregoing, the amount so payable to the Administrator shall not at the time of such prepayment exceed the amount which, when taken together with all previous payments made to the Administrator, plus all other expenses relating to the Program other than costs of issuing, carrying and repaying the Bonds (all taken at their respective times of payment), creates a stream of payments the present value of which discounted at the Yield on the Bonds using semi-annual compounding is the same as the present-value of a stream of payments equal to three-quarters of one percent (0.75%) times the principal amount of the Bonds then outstanding paid semi-annually paid so long as Bonds are outstanding, discounted at the Yield on the Bonds using semi-annual compounding. "Yield on the Bonds" means that discount rate which when used in computing the present value of all

actual payments on the Bonds results in an amount equal to the original offering price of the Bonds to the public, using semi-annual compounding.

ARTICLE IX

LIMITATION ON LIABILITY OF ISSUER; EXPENSES; INDEMNIFICATION

Section 9.1 Limitation on Liability of Issuer. The Issuer shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, except from Revenues. The Developer hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds and to pay expenses of the Program will be provided by the payments made by the Developer pursuant to this Agreement, together with other Revenues, including any drawings under the Letter of Credit or investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby confirms that amounts available to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), have been calculated to be at all times sufficient for such purpose.

Any obligation or liability of the Issuer created by or arising out of this Agreement (including without limitation any liability created by or arising out of the representations, warranties or covenants set forth herein or otherwise) shall not impose a debt or pecuniary liability upon the Issuer or a charge upon its general credit or taxing powers, but shall be payable solely out of the Revenues. Neither the issuance of the Bonds nor the delivery of this Agreement shall, directly or indirectly or contingently, obligate the Issuer to levy any form of taxation therefor or to make any appropriation for their payment. Nothing in the Bonds or in the Indenture or this Agreement or the proceedings of the Issuer authorizing the Bonds or in the Law or in any other related document shall be construed to authorize the Issuer to create a debt of the Issuer within the meaning of any constitutional or statutory provision of the State of California. No breach of any pledge, obligation or agreement of the Issuer hereunder may impose any pecuniary liability upon the Issuer or any charge upon its general credit or against its taxing power.

Section 9.2 Expenses. The Developer covenants and agrees to pay and to indemnify the Issuer and the Trustee against all costs and charges, including reasonable fees and disbursements of attorneys, accountants, consultants and other experts, incurred in good faith in connection with this Agreement, the Bonds or the Indenture.

Section 9.3 Indemnification. (a) The Developer releases the Issuer from, and covenants and agrees that the Issuer shall not be liable for, and covenants and agrees, to the extent permitted by law, to indemnify and hold harmless the Issuer and its officers, employees and agents from and against, any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with (1) the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof; (2) the issuance of any Bonds or any certifications or representations made by anyone other than the Issuer in connection therewith and the carrying out of any of the transactions contemplated by the Bonds and this Agreement;

(3) the Trustee's acceptance or administration of the trusts under the Indenture, or the exercise or performance of any of its powers or duties under the Indenture; or (4) except with respect to statements by the Issuer any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, in any official statement or other offering circular utilized by the Issuer or any underwriter or placement agent in connection with the sale of any Bonds; provided that such indemnity shall not be required for damages that result from willful misconduct on the part of the party seeking such indemnity. The indemnity required by this Section shall be only to the extent that any loss sustained by the Issuer exceeds the net proceeds the Issuer receives from any insurance carried with respect to the loss sustained. The Developer further covenants and agrees, to the extent permitted by law, to pay or to reimburse the Issuer and its officers, employees and agents for its any and all costs, reasonable attorneys fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions, except to the extent that the same arise out of the willful misconduct of the party claiming such payment or reimbursement. The provisions of this Section shall survive the retirement of the Bonds.

(b) The Developer releases the Trustee from, and covenants and agrees that the Trustee shall not be liable for, and covenants and agrees, to the extent permitted by law, to indemnify and hold harmless the Trustee and its officers, employees and agents from and against any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with (1) the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof; (2) the issuance of any Bonds or any certifications or representations made by the Developer in connection therewith and the carrying out of any of the transactions contemplated by the Bonds and this Agreement; (3) the Trustee's acceptance or administration of the trusts under the Indenture, or the exercise or performance of any of its powers or duties under the Indenture; or (4) with respect to the Developer, any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, in any official statement or other offering circular utilized by the Issuer or any underwriter or placement agent in connection with the sale of any Bonds; provided that such indemnity shall not be required for damages that result from negligence or willful misconduct on the part of the party seeking such indemnity. The Developer further covenants and agrees, to the extent permitted by law, to pay or to reimburse the Trustee and its officers, employees and agents for any and all costs, reasonable attorneys fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions, except to the extent that the same arise out of the negligence or willful misconduct of the party claiming such payment or reimbursement. The provisions of this Section shall survive the retirement of the Bonds.

Nothing contained herein shall in any way be construed to impose any duties upon the Trustee beyond those contained in the Indenture. All immunities, indemnities, exceptions from liability and other provisions of the Indenture insofar as they relate to the Trustee shall apply to this

Agreement. The immunities of the Trustee also extend to its directors, officers, employees and agents.

ARTICLE X

MISCELLANEOUS

Section 11.29. Notices. All notices, certificates or other communications shall be deemed sufficiently given on the second day following the day on which the same have been mailed by certified mail, postage prepaid, addressed to the Issuer, the Developer, the Trustee, the Credit Bank or the Administrator, as the case may be, as follows:

To the Issuer: At the address set forth in the Indenture

To the Developer: At the address set forth in the Indenture

To the Trustee: At the address set forth in the Indenture

To the Credit Facility Provider: At the address set forth in the Indenture

To the Administrator: To the address designated in writing by the Issuer to the Developer

A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Developer to the other shall also be given to the Trustee, the Credit Facility Provider and the Administrator. The Issuer, the Developer, the Trustee and the Credit Facility Provider may, by notice given hereunder, designate any different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.1 Severability. If any provision of this Agreement shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 10.2 Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument; provided, however, that for purposes of perfecting a security interest in this Agreement by the Trustee under Article 9 of the California Uniform Commercial Code, only the counterpart delivered, pledged, and assigned to the Trustee shall be deemed the original.

Section 10.3 Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, this Agreement may be effectively amended, changed, modified, altered or terminated only by written instrument executed by the parties hereto and only with the written consent of the Trustee and the Credit Bank.

Section 10.4 Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State of California.

Section 10.5 Authorized Representatives. Whenever under the provisions of this Agreement the approval of the Developer or the Issuer or the Credit Facility Provider is required for any action, and whenever the Developer or the Issuer or the Credit Facility Provider is required to deliver any notice or other writing, such approval or such notice or other writing shall be given, respectively, on behalf of the Developer by the Authorized Developer Representative and on behalf of the Issuer by the Authorized Issuer Representative and on behalf of the Credit Facility Provider by the Authorized Credit Facility Provider Representative, and the Issuer, the Trustee, the Credit Facility Provider and the Developer shall be authorized to act on any such approval or notice or other writing and neither party hereto shall have any complaint against the other or against the Trustee as a result of any such action taken.

Section 10.6 Term of the Agreement. This Agreement shall be in full force and effect from the date hereof and shall continue in effect as long as any of the Bonds are outstanding or the Trustee holds any moneys under the Indenture, whichever is later. The provisions of Section 9.3 and all representations and certifications by the Developer as to all matters affecting the tax-exempt status of the Bonds shall survive the termination of this Agreement.

Section 10.7 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Developer and their respective successors and assigns; subject, however, to the limitations contained in Section 5.2 hereof.

IN WITNESS WHEREOF, the Issuer has caused this Agreement to be executed in its name by its duly authorized officer, and the Developer has caused this Agreement to be executed in its name by its general partner, all as of the date first above written.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By _____
Executive Director

Approved as to form:

LLOYD W. PELLMAN,
County Counsel

By _____
Deputy

PALMER-SAUGUS, A CALIFORNIA
LIMITED PARTNERSHIP

By _____
General Partner

The undersigned hereby consents to the
terms of the foregoing Loan Agreement:

U.S. BANK NATIONAL
ASSOCIATION, as Trustee

By _____
Authorized Officer

Recording requested by and when
recorded mail to:
Orrick, Herrington & Sutcliffe LLP
400 Sansome Street
San Francisco, CA 94111
Attention: Stephen A. Spitz, Esq.

FIRST AMENDMENT TO REGULATORY AGREEMENT

THIS FIRST AMENDMENT TO REGULATORY AGREEMENT, dated as of _____ 1, 2003 (the "Amendment"), amending that certain Regulatory Agreement, dated as of November 1, 1985 (as herein and hereafter amended, the "Regulatory Agreement"), is by and among THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES (the "Authority"), U.S. BANK NATIONAL ASSOCIATION, as successor trustee (the "Trustee") under that certain Amended and Restated Indenture of Trust, dated as of _____ 1, 2003 (as so amended and as it may hereafter be amended, the "Indenture"), and PALMER-SAUGUS, A CALIFORNIA LIMITED PARTNERSHIP (the "Developer").

W I T N E S S E T H

WHEREAS, the Authority issued its Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F (the "Bonds") and from the proceeds of the Bonds made a loan to the Developer to finance the construction and development of a multifamily rental housing project located on the site described in Exhibit A hereto; and

WHEREAS, the Developer and the Authority have determined that it is desirable to amend the Regulatory Agreement as set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. The definition of "Qualified Project Period" in Section 1 of the Regulatory Agreement is hereby amended to read in its entirety as follows:

"Qualified Project Period" means, with respect to the Project, the period beginning on the later of the date of issuance of the Bonds or the first day on which at least 10% of the units in the Project are first occupied, and ending on the later of the following:

(A) the date which is ten (10) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied,

(B) the date which is a "qualified number of days" (i.e., 50% of the total number of days from the date of issuance of the Bonds to and including the maturity date of the Bonds, or, in the case of a refunding of the Bonds, 50% of the sum of the period that the Bonds were outstanding plus the longest term of any refunding obligation) after the date on which any of the units in the Project is first occupied,

(C) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Law of 1937 terminates, or

(D) March __, 2033.

Section 2. The following is hereby added as paragraph (e) to Section 3 of the Regulatory Agreement:

(e) During the Qualified Project Period, tenants in units set aside for occupancy by Low- or Moderate-Income Tenants pursuant to Section 2(d) shall not be separately charged by the Developer or a third party for either water or trash collection.

Section 3. The Authority, the Trustee and the Developer each hereby reaffirms each of the provisions of the Regulatory Agreement, as amended hereby, and confirms that the Regulatory Agreement and each of the terms and provisions thereof shall remain in full force and effect for the term thereof, as amended.

Section 4. This Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective duly authorized representatives, as of the day and year first written above.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By _____
Executive Director

Approved as to form:

LLOYD W. PELLMAN,
County Counsel

By _____
Deputy

U. S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

PALMER-SAUGUS, A
CALIFORNIA LIMITED PARTNERSHIP

By _____
General Partner

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EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOT 1 OF TRACT 32321, IN THE CITY OF SANTA CLARITA, AS PER MAP RECORDED IN BOOK 1066 PAGES 41 TO 47 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

Recording requested by and, when recorded, mail to:
Jerre A. Tritsch, Esq.
Kutak Rock LLP
1650 Farnam Street
Omaha, NE 68102

Freddie Mac Loan No. (A Piece): 002662787
Freddie Mac Loan No. (B Piece): 002662841

INTERCREDITOR AGREEMENT

among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES,

as Issuer

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

and

FEDERAL HOME LOAN MORTGAGE CORPORATION,

as Freddie Mac

The Housing Authority of the County of Los Angeles
Variable Rate Demand Multifamily Housing Revenue Bonds
(Sand Canyon Ranch Project)
1985 Series F

Dated as of _____ 1, 2003

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EXHIBIT A REAL PROPERTY DESCRIPTION

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT (this "Agreement") is dated as of _____ 1, 2003, and is made among **THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES** (the "Issuer"), **U.S. BANK NATIONAL ASSOCIATION**, as Trustee (the "Trustee"), and **FEDERAL HOME LOAN MORTGAGE CORPORATION** ("Freddie Mac").

RECITALS:

The Issuer has heretofore issued and there is currently outstanding \$14,400,000 in aggregate principal amount of its Variable Rate Demand Multifamily Housing Revenue Bonds (Sand Canyon Ranch Project) 1985 Series F (the "Bonds") pursuant to an Indenture of Trust dated as of November 1, 1985 (the "Original Indenture"), the proceeds of which were used to fund a loan (the "Bond Mortgage Loan") pursuant to a certain Loan Agreement dated as of November 1, 1985 (the "Original Loan Agreement"). The proceeds of the loan were used to finance the acquisition, construction and equipping of a 255-unit multifamily rental housing development project located in the County of Los Angeles, California at 28856 North Silver Saddle Circle and known as Sand Canyon Ranch (the "Project") and to pay certain costs of issuance of the Bonds. The Original Indenture has been amended and restated by an Amended and Restated Indenture dated as of _____ 1, 2003 (the "Indenture") between the Issuer and the Trustee, and the Original Loan Agreement has been amended and restated by an Amended and Restated Loan Agreement dated as of _____ 1, 2003 (the "Loan Agreement") among the Issuer, Trustee and Palmer-Saugus, A California Limited Partnership (the "Developer"), who now desires to provide a substitute Credit Facility (as defined in the Indenture) as security for the Bonds.

The Developer has requested that Freddie Mac execute and deliver to the Trustee a Credit Enhancement Agreement dated as of _____ 1, 2003 (the "Credit Enhancement Agreement") between Freddie Mac and the Trustee which will provide for (i) draws in an amount equal to Guaranteed Payments (as such term is defined in the Credit Enhancement Agreement) with respect to the Bond Mortgage Loan and (ii) liquidity draws by the Trustee to the extent remarketing proceeds are insufficient to pay the Purchase Price of the Bonds (other than Purchased Bonds) while the Bonds bear interest at a Variable Rate. To evidence the Developer's repayment obligations to Freddie Mac as a result of payments made by Freddie Mac under the Credit Enhancement Agreement, the Developer and Freddie Mac have entered into a Reimbursement Agreement (the "Reimbursement Agreement") dated as of the date hereof.

The Developer is contemporaneously herewith executing and delivering for the benefit of Freddie Mac a Second Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing to secure the obligations of the Developer to Freddie Mac under the Reimbursement Agreement (the "Reimbursement Mortgage").

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual promises contained herein and in order to induce Freddie Mac to maintain the Credit Enhancement Agreement outstanding without certain Guaranties thereof in place and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Unless otherwise defined herein, or unless the context clearly indicates otherwise, each term used in this Agreement, including in the Recitals set forth above, and which is defined in the Indenture or the Reimbursement Agreement, shall have the meaning given to such term by the Indenture or the Reimbursement Agreement.

As used herein, the following terms shall have the meanings set forth below:

“Acceleration Default” shall mean a default under the Loan Agreement or the Regulatory Agreement if, as set forth in a written opinion of Bond Counsel delivered to the Trustee, such default would be likely to result in interest on the Bonds becoming subject to federal income taxation if the Bonds remain outstanding.

“Bond Documents” means the Indenture, the Loan Agreement, any note issued pursuant to the Loan Agreement, the Regulatory Agreement, the Bond Mortgage, this Agreement and any other document evidencing or securing the Bonds.

“Credit Facility Documents” means the Reimbursement Agreement, the Reimbursement Mortgage, the Pledge Agreement and any other document evidencing or securing the obligations of the Developer pursuant to the Reimbursement Agreement.

“Guide” means the Freddie Mac Multifamily Seller/Servicer Guide, as the same may be amended, modified or supplemented from time to time.

“Mortgage Rights” means all rights of the Issuer and the Trustee under the Bond Documents, including, without limitation, (a) rights and remedies as Beneficiary under the Bond Mortgage, (b) the right to declare the outstanding balance of the Bonds to be due and payable (except upon an Acceleration Default), (c) the right to declare the outstanding balance of the Loan to be due and payable, (d) the right to foreclose the lien of the Bond Mortgage, (e) the right to seek the appointment of a receiver or to collect rents or realize upon any other collateral held as security for the Bonds and (f) the right to file or join in the filing of any judicial proceeding to collect the indebtedness secured by the Bond Mortgage; provided, however, “Mortgage Rights” shall not include any Retained Payment Rights or Retained Powers.

“Reimbursement Documents” means the Reimbursement Agreement, the Reimbursement Mortgage, this Agreement and any other document evidencing or securing the rights of Freddie Mac under the Reimbursement Agreement, all as amended, modified or waived from time to time.

“Retained Payment Rights” shall mean the rights of the Issuer and the Trustee to receive fees, expenses, indemnification, payment of rebate and any other similar amounts (other than the Loan and interest thereon) due the Issuer or the Trustee under the Bond Documents, including, without limitation, Sections 4.2(b), 4.2(c) and 9.3 of the Loan Agreement.

“Retained Powers” means (a) all police powers, regulatory authority and other rights, powers and authority provided the Issuer under law, (b) rights exercisable in connection with continuing disclosure requirements and (c) the right to enforce the Regulatory Agreement and the Loan Agreement as provided in Section 3(c).

“*Servicer*” means the eligible servicing institution designated by Freddie Mac from time to time (which may be Freddie Mac if Freddie Mac elects to service the Bond Mortgage Loan), or its successor, as servicer of the Bond Mortgage Loan. Initially, NorthMarq Capital, Inc., a Minnesota corporation, shall serve as the Servicer.

“*Wrongful Dishonor*” means the failure of Freddie Mac to honor a draw made in accordance with the terms of the Credit Enhancement Agreement (which draw strictly complies with, and conforms to, the terms and conditions of the Credit Enhancement Agreement).

Section 2. Rules of Construction. The words “hereof,” “herein,” “hereunder,” “hereto,” and other words of similar import refer to this Agreement in its entirety.

The terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants.”

References to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivisions of this Agreement as originally executed.

The headings of this Agreement are for convenience only and shall not define or limit the provisions hereof.

All references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders and (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

Section 3. Exercise of Rights and Remedies by Freddie Mac.

(a) Until either (i) a Wrongful Dishonor has occurred and is continuing or (ii) the Credit Enhancement Agreement terminates in accordance with its terms:

(i) Except as provided in Section 3(c) below, without the prior written consent of Freddie Mac, neither the Issuer nor the Trustee may exercise any Mortgage Rights.

(ii) Except as provided in Section 3(c) below, Freddie Mac shall control all of the Mortgage Rights, and Freddie Mac shall have the right, power and authority to direct the Trustee with respect to all decisions in connection with the Bond Mortgage, except that Freddie Mac shall not have the right to direct the Trustee to take or refrain from taking action that might adversely impact the tax-exempt status of the Bonds.

(iii) If the Trustee or the Issuer receive any proceeds of insurance or condemnation (“Insurance/Condemnation Proceeds”) from the Project, subject to the provisions of Section 6 below, it will apply such Insurance/Condemnation Proceeds as directed by Freddie Mac, in accordance with the terms of the Reimbursement Mortgage and subject to the requirement that excess proceeds remaining after the use of such Insurance/Condemnation Proceeds for the repair,

restoration, rebuilding or alteration of the Project shall be used by the Trustee for the purpose of redeeming, or, at the request of Freddie Mac, purchasing in lieu of redemption, Bonds in accordance with the terms of the Indenture.

(iv) The Trustee and Issuer covenant and agree neither to file nor join in the filing of any involuntary petition involving the Developer under the federal bankruptcy laws or other federal or state reorganization, receivership, insolvency or similar proceeding.

(v) Except in connection with Retained Powers and Retained Payment Rights, neither the Trustee nor the Issuer shall acquire by subrogation, contract or otherwise any lien upon or other estate, right or interest in the Project or any rents or revenues therefrom that are not subject to the terms of this Agreement.

(vi) Upon any liquidation or reorganization of the Developer or any of the entities comprising the Developer or any of the partners of any such entity (the Developer and all such entities and partners hereinafter collectively referred to as the "Developer Parties") in a bankruptcy, insolvency or receivership proceeding or upon any involuntary liquidation or reorganization of a Developer Party, then, in any such case, any payment or distribution (except for a payment on account of Retained Payment Rights), whether in cash, property or securities, to which the Trustee or the Issuer would be entitled but for this Agreement shall instead be paid over to Freddie Mac for application as provided in the Reimbursement Agreement until all amounts due to Freddie Mac under the Reimbursement Agreement have been paid in full.

(vii) If, at any time, the Trustee or the Issuer would be entitled to any payment or distribution but for Section 3(a)(vi) above, the Trustee and the Issuer irrevocably authorize Freddie Mac (but Freddie Mac has no obligation to take any such action, in which case the Trustee or the Issuer may proceed), to demand, sue for, collect and receive every such payment or distribution, to file claims and proofs of claims in any statutory or non-statutory proceeding, to vote the full amount of the Bond Mortgage Loan in its sole discretion in connection with any resolution, arrangement, plan of reorganization, compromise, settlement or extension and to take all such other action (including, without limitation, the right to participate in any composition of creditors and the right to vote the amount of the Bond Mortgage Loan at creditors' meetings for the election of trustees, acceptances of plans and otherwise), in the name of Freddie Mac or in the name of Trustee and Issuer or otherwise, as Freddie Mac may deem necessary or advisable for the enforcement of the provisions of this Agreement.

(viii) Upon any liquidation or reorganization of any Developer Party in a bankruptcy, insolvency or receivership proceeding or upon any involuntary liquidation or dissolution of a Developer Party, and at the sole expense of the Developer or if the Developer fails to pay, at the expense of Freddie Mac, the Trustee and the Issuer agree promptly to (A) take such action as may be requested, at any time, by Freddie Mac, (B) deliver any instruments required to

collect the amount of the Bond Mortgage Loan, (C) execute and deliver such powers of attorney, assignments or other instruments as may be requested by Freddie Mac in order to enable Freddie Mac to enforce any and all claims upon or in respect of the Bond Mortgage Loan and (D) collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or in respect of the Bond Mortgage Loan.

(ix) Nothing herein contained shall be deemed to preclude the Trustee or the Issuer from appearing or being heard in any bankruptcy, insolvency, or other similar proceedings affecting a Developer Party, nor from collecting from a Developer Party the full Bond Mortgage Loan amount due to Trustee and Issuer (through subrogation to the rights of Freddie Mac or otherwise) after all amounts due to Freddie Mac under the Reimbursement Documents shall have been paid in full nor from collecting the Retained Payment Rights.

(x) For purposes of this Agreement, Freddie Mac's claim or entitlement in any bankruptcy proceeding for post-petition interest shall be senior to the Bond Mortgage Loan as if it were part of the Reimbursement Agreement obligations, notwithstanding the fact that a claim for such post-petition interest may have been disallowed or Freddie Mac may otherwise not be entitled to such post-petition interest in the Developer Party's bankruptcy proceeding.

(xi) Except in respect of Retained Payment Rights, the Trustee and the Issuer hereby agree not to seek adequate protection payments in any Developer Party bankruptcy proceeding without the prior written consent of Freddie Mac, which may be granted or withheld by Freddie Mac in Freddie Mac's sole discretion; provided, however, that in the event Freddie Mac does not either seek to obtain adequate protection payments or to obtain relief from the automatic stay in order to protect its secured creditor position, subject to the terms of this Agreement, Trustee shall have the right to seek adequate protection payments.

(xii) At the sole expense of the Developer or if the Developer fails to pay, at the expense of Freddie Mac, the Trustee and the Issuer agree to join, and not object to, or otherwise contest any request for relief from the automatic stay of 11 U.S.C. § 362 requested by Freddie Mac in any bankruptcy proceeding of the Developer, in order to enable Freddie Mac to foreclose or exercise any of its rights or remedies under the Reimbursement Documents

(xiii) Upon the occurrence and during the continuation of a default under the Reimbursement Documents, all amounts payable (including, but not limited to, any payment pursuant to an assignment of rents) under the Reimbursement Documents shall be paid in full before any payment or distribution, whether in cash or in other property, shall be made to the Trustee or the Issuer for the purpose of making Bond Mortgage Loan payments under the Loan Agreement. During the continuation of any default under the Reimbursement Documents, any payment or distribution, whether in cash or other property, which would otherwise (but for the provisions contained in this Agreement) be payable or

deliverable under the Bond Documents, shall be paid or delivered directly to Freddie Mac in satisfaction of any amounts payable (including, but not limited to, any payment pursuant to an assignment of rents) under the Reimbursement Documents (including any interest thereon accruing after the occurrence of any such default) until all such amounts shall have been paid in full or the default shall have been cured or waived by Freddie Mac.

(xiv) If any payment of the rents or other revenues arising from an assignment of rents contained in the Bond Mortgage or distribution of security or the proceeds of any of the foregoing is collected or received by the Issuer or the Trustee in contravention of any term, condition or provision of this Agreement, the Issuer or the Trustee, as applicable, immediately will deliver the same to Freddie Mac, in precisely the form received (except for the endorsement or the assignment by the Issuer or the Trustee, as applicable, where necessary), and, until so delivered, the same shall be held in trust by the Issuer or the Trustee, as applicable. Neither the Issuer nor Trustee shall be required to deliver monies received in payment of the Retained Payment Rights.

(xv) Neither the Trustee nor the Issuer shall have any right to contest any of the procedures or actions taken by Freddie Mac to exercise its remedies under the Reimbursement Documents so long as Freddie Mac is in compliance with its agreements hereunder.

(b) Neither Freddie Mac, the Servicer nor their respective officers, directors, employees or agents shall be liable to the Trustee for any action taken or omitted to be taken in good faith by Freddie Mac or the Servicer in connection with the Bond Mortgage Loan by reason of Freddie Mac's control of the Mortgage Rights. Freddie Mac shall have the right to delegate to the Servicer any of the Mortgage Rights.

(c) If the Developer defaults in the performance or observance of any covenant, agreement or obligation of Developer set forth in the Regulatory Agreement or Sections 5.6 or 5.7 of the Loan Agreement, after written notice from the Trustee or Issuer to the Developer and to Freddie Mac stating that such a default has occurred and specifying the nature of such default, the Issuer and Trustee shall have the right:

(i) to seek specific performance of the provisions of the Regulatory Agreement.

(ii) if such default is capable of being cured by the payment of money and Freddie Mac fails to cure such default by the Developer within 60 days after receipt of notice, to exercise any right or remedy under the Bond Documents other than (A) to accelerate the date on which payments are due on the Bonds or the Bond Mortgage Loan or (B) to exercise any rights under the Bond Mortgage.

(iii) if such default is not capable of being cured by the payment of money and Freddie Mac fails to commence to cure such default within 60 days after receipt of notice or, having so commenced to cure, fails diligently to proceed

with such cure, to exercise any right or remedy other than (A) to accelerate the date on which payment are due on the Bonds or the Bond Mortgage Loan or (B) to exercise any rights under the Bond Mortgage.

(iv) if such default consists of an Acceleration Default, to exercise any right or remedy (including, without limitation, the right to declare the Bond Mortgage Loan to be immediately due and payable in accordance with the Loan Agreement).

(d) The Trustee acknowledges that the Servicer and/or Freddie Mac may hold cash or other collateral and reserves under the Reimbursement Documents that may not be collateral for the Bonds. The Developer has agreed that all cash collateral that is held by the Servicer that is primarily held as security for the payment of principal and interest on the Bonds or to reimburse Freddie Mac for payments made under the Credit Enhancement Agreement shall be invested in obligations the interest on which is excludable from gross income for federal income tax purposes or in other obligations that are intended not to result in any arbitrage or rebate obligation of the Developer.

(e) The Trustee acknowledges that Freddie Mac may make advances to the Developer pursuant to the terms of the Reimbursement Documents. The Trustee acknowledges that the obligations evidenced by the Reimbursement Documents, together with accrued interest thereon, plus fees, advances and expenses due and owing by the Developer thereunder may increase in the future and the agreements of the Trustee set forth in this Agreement shall extend to such amounts that are currently, and that may become, due and owing under the Reimbursement Documents.

(f) If and to the extent that the Issuer and/or the Trustee take actions or refrain from taking actions at the direction of Freddie Mac, Freddie Mac agrees to pay, and to indemnify Issuer and Trustee against, all costs, fees, expenses and liabilities (including reasonable attorneys' fees and expenses) incurred by the Issuer or the Trustee in connection with any action taken or not taken by either of them at the request and direction of Freddie Mac; provided, however, Freddie Mac shall not be obligated, other than as provided in any assumption agreement executed by Freddie Mac following its acquisition of the Project as provided in Section 8 below, (i) to pay any costs, fees or expenses which the Trustee may suffer or incur by reason of the negligent or willful failure of the Trustee to perform the trusts and duties imposed upon it under the Indenture, (ii) to pay any costs, fees or expenses which the Trustee is required to incur otherwise in connection with the performance of the trusts and duties imposed upon it under the Indenture and (iii) to pay any costs, fees or expenses which the Issuer or the Trustee may incur by reason of the Issuer's or the Trustee's exercise or failure to exercise any power or discretion other than at Freddie Mac's direction.

(g) Nothing in this Agreement shall be construed to permit Freddie Mac to amend or modify any of the Bond Documents or to preclude the Trustee from making claims against the Credit Enhancement Agreement in accordance with its terms. Except as provided in Section 9 of this Agreement, nothing herein shall limit the responsibilities

of Freddie Mac under the Bond Documents in its capacity as Freddie Mac or “Credit Facility Provider” thereunder.

Section 4. Exercise of Rights and Remedies by Trustee; Transfer of Loan.

(a) Upon (i) the occurrence and during the continuation of a Wrongful Dishonor or (ii) the expiration, termination or replacement of the Credit Enhancement Agreement in accordance with its terms, Freddie Mac shall not exercise the rights and remedies referred to in Section 3 hereof without the prior written consent of the Trustee, and the actions set forth in Section 3 shall be taken by the Trustee in its sole discretion.

(b) Unless a Wrongful Dishonor shall have occurred and be continuing, neither the Trustee nor the Issuer shall, without the prior written consent of Freddie Mac, dispose of the Bond Mortgage Loan, Loan Agreement, the Bond Mortgage or any other Bond Document or any right or interest in the Loan, the Loan Agreement, the Bond Mortgage or any other related document other than in the case of the Trustee, to a successor Trustee pursuant to the terms of the Indenture.

Section 5. Application of Moneys Received Upon Exercise of Remedies Under the Bond Mortgage. Any and all amounts received or collected by the Trustee or Freddie Mac in payment of the Bond Mortgage Loan as a result of the exercise of set-off rights, the liquidation of any security interest created by the Bond Documents or the Reimbursement Documents, the sale (by foreclosure, power of sale or otherwise) of the Project under the Bond Mortgage or the exercise of any remedies under any of the Bond Documents or the Reimbursement Documents against the Developer or the Project (including rents received from the appointment of a receiver) shall be held by the Trustee or Freddie Mac, as the case may be, for the benefit of the Trustee and Freddie Mac and will be applied as follows:

(a) Until either (i) a Wrongful Dishonor has occurred and is continuing or (ii) the Credit Enhancement Agreement expires, terminates or is replaced, such moneys held by the Trustee and Freddie Mac shall be applied in such manner and in such order as Freddie Mac, in its sole discretion, determines, subject, however, to the terms of the Reimbursement Documents.

(b) If either (i) a Wrongful Dishonor has occurred and is continuing or (ii) the Credit Enhancement Agreement expires or is replaced, such moneys held by the Trustee and Freddie Mac shall be applied in such manner and in such order (to the extent permitted by the Bond Documents, the Reimbursement Documents and applicable law) as the Trustee, in its sole discretion, determines as required under the terms of the Indenture.

Section 6. Insurance and Condemnation.

(a) Freddie Mac and the Trustee shall each be named as a mortgagee on all fire, extended coverage and other hazard insurance policies required under the Bond Mortgage and all insurers shall be directed to pay all proceeds of such policies directly to the Trustee, which proceeds shall be held and applied by the Trustee at the direction of Freddie Mac in accordance with the terms of the Reimbursement Mortgage (in any event,

however, subject to the requirement that excess proceeds remaining after the use of Insurance Proceeds for the repair, restoration, rebuilding or alteration of the Project shall be used by the Trustee for the purpose of redeeming or, at the request of Freddie Mac, purchase in lieu of redemption, of Bonds) and the Developer, as mortgagor, shall deal solely with Freddie Mac or the Servicer, as Freddie Mac shall direct; Freddie Mac shall have no liability for any such application of insurance proceeds in accordance with the Credit Facility Documents and, to the extent not inconsistent therewith, the Bond Documents. Provided that the Developer has satisfied Developer's obligations with respect to insurance coverage in the Reimbursement Mortgage, Developer shall be deemed in compliance with respect to insurance coverage requirements under the Bond Documents. Freddie Mac, the Trustee and the Issuer shall each be a named insured on all liability insurance policies required under the Bond Mortgage, the Loan Agreement, and the Reimbursement Mortgage.

(b) All proceeds of any condemnation award shall be paid to the Trustee, which proceeds shall be applied, as directed by Freddie Mac, in the manner provided by the Reimbursement Mortgage (in any event, however, subject to the requirement that excess proceeds remaining after the use of Insurance/Condemnation Proceeds for the repair, restoration, rebuilding or alteration of the Project shall be used by the Trustee for the purpose of redeeming or, at the request of Freddie Mac, purchasing in lieu of redemption, Bonds), and the Developer, as mortgagor, shall deal solely with Freddie Mac or the Servicer, as Freddie Mac shall direct, under the Indenture; Freddie Mac shall have no liability for any such application of Insurance/Condemnation Proceeds in accordance with the terms of the Credit Facility Documents and, to the extent not inconsistent therewith, the Bond Documents.

Section 7. Assignment of Rights. The Issuer and the Trustee each hereby agree that, following a total defeasance of the Bonds, an acceleration of the principal amount of the Bonds or the calling of all Bonds for redemption (or purchase in lieu of redemption), when the Trustee holds proceeds of a demand under the Credit Enhancement Agreement or other funds available for payment to Bondholders under the Indenture (whether as a result of the payment by Freddie Mac under the Credit Enhancement Agreement or otherwise) in an amount which shall be sufficient to pay (a) the principal of all Bonds then Outstanding and (b) all accrued and unpaid interest on the Bonds then Outstanding to the date of redemption, acceleration or defeasance, the obligation of Freddie Mac under the Credit Enhancement Agreement shall be deemed to be retired in full, and the Issuer and the Trustee shall promptly do all of the following:

(i) Use all funds drawn under the Credit Enhancement Agreement as may be necessary to promptly redeem, purchase in lieu of redemption, retire or defease all Outstanding Bonds at their face amount plus any accrued interest, and, in the event any excess funds were paid to the Trustee pursuant to a drawing under the Credit Enhancement Agreement, return said excess funds to Freddie Mac promptly.

(ii) At the option of Freddie Mac, either reconvey, release and cancel, or assign to Freddie Mac, all of their right, title and interest (other than their rights to be paid for services rendered and to be rendered and for fees and expenses

incurred thereunder and to be indemnified pursuant thereto) under the Bond Documents, other than the Regulatory Agreement, and execute, acknowledge and deliver to Freddie Mac such instruments and documents as may be reasonably necessary in connection with such reconveyance, release, cancellation or assignment.

(iii) Deliver to Freddie Mac, in such form and to such place, as Freddie Mac shall designate, all property due Freddie Mac pursuant to the provisions of the Indenture.

(iv) Dispose of or return the Credit Enhancement Agreement to Freddie Mac in accordance with the directions of Freddie Mac.

Section 8. Substitution of Obligor.

(a) The Issuer and the Trustee agree that, should Freddie Mac succeed to the interest of the Developer in the Project pursuant to a foreclosure sale or otherwise without having implemented the provisions of Section 7 above, then Freddie Mac shall be the successor to the Developer for all purposes of the Bond Documents, and Freddie Mac acknowledges and agrees to be so treated as successor to the Developer; provided, however, (i) Freddie Mac shall have no liability for the Developer's obligations under any of the Bond Documents; and (ii) the liability of Freddie Mac shall be limited to (and Freddie Mac hereby expressly assumes the liability solely for) the period it owns the Project.

(b) Following any succession by Freddie Mac to the right, title and interest of Developer in the Project pursuant to Section 8(a) above, with the prior written consent of the Issuer, Freddie Mac shall have the right to sell, transfer and/or assign its interest in the Project to any person or entity, provided that Freddie Mac or such transferee delivers or causes to be delivered to the Issuer and the Trustee concurrently with such transfer:

(i) A letter of credit or other credit enhancement facility that complies with all applicable requirements under the Indenture;

(ii) A written instrument assuming and agreeing to perform all obligations of Developer under the Bond Documents to which the Developer is a party accruing from and after the date of such transfer;

(iii) An opinion of counsel to the transferee that such transferee has duly assumed the obligations of the Developer under the Bond Documents to which the Developer is a party and that each of the Bond Documents to which the Developer is a party is a binding obligation of the transferee;

(iv) An opinion of Bond Counsel that such transfer or substitution will not cause interest on the Bonds to be included in the gross income of any registered owner thereof for Federal income tax purposes (except for interest on any Bond held by a "substantial user" of the Project or a "related person," as such term is used in the Internal Revenue Code of 1954, as amended); and

- (v) Payment on account of Retained Payment Rights that are then due and payable.

The Issuer shall be deemed to have provided its written consent to a transfer upon the satisfaction of the conditions set forth in this Section 8(b). Upon completion of any transfer in accordance with this Section 8(b), the liability of Freddie Mac shall be limited to the period it owned the Project and Freddie Mac shall thereafter be relieved of any further liability for Developer's obligations under the Bond Documents accruing from and after the date of such transfer.

- (c) The Issuer and the Trustee agree that a purchaser may succeed to the interest of the Developer in the Project pursuant to a foreclosure sale or otherwise provided that such purchaser delivers or causes the delivery of the documents described in Section 8(b).

Section 9. Mortgage Loan Servicing. The identity of the Servicer being of material importance to Freddie Mac, this Agreement is accepted by Freddie Mac on the basis, and with the understanding, that the Servicer will be determined solely by Freddie Mac. Accordingly, so long as the Credit Enhancement Agreement is in effect and no Wrongful Dishonor has occurred and is continuing, the Issuer and the Trustee agree that Freddie Mac shall, in its discretion, have the sole and exclusive (a) right to appoint the Servicer and to arrange for the servicing of the Loan, the Bond Mortgage and the Loan Agreement, provided such servicing shall be performed by a Freddie Mac approved seller-servicer pursuant to the Guide, and (b) right to remove the Servicer (for any reason), terminate its right to service the Bond Mortgage Loan, and appoint a new Servicer. The Issuer and Trustee further acknowledge and agree that the Guide is subject to amendment or termination without the consent of the Issuer, the Trustee or the Developer (provided that no such amendment shall be executed if the effect thereof would be adverse to the rights of the Issuer or the Trustee or in any way operate to modify the provisions of (or the duties of the Servicer under) the Loan Agreement or would result in an Acceleration Default) and that none of the Issuer, the Trustee or the Developer shall have any rights under or be a third party beneficiary of the Guide. The Trustee and the Issuer acknowledge and agree that any Servicer designated by Freddie Mac shall be paid a fee for its services. None of the Issuer, the Trustee or Freddie Mac shall have the obligation to pay such fees from their own funds. In the event the Developer fails to make any payment relating to fees, expenses or indemnification obligations to the Issuer or Trustee as required under the Loan Agreement, the party which has not received such payment shall immediately notify the Servicer of such failure.

Section 10. Representations, Warranties and Covenants.

- (a) The Issuer represents, warrants and covenants to the other parties hereto that:

- (i) The Issuer has not received a notice in writing from the Internal Revenue Service alleging that any event or act has occurred in the operation and management of the Project which would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes or a

notice in writing from the Trustee concerning any event of default under any Bond Document.

(ii) The Issuer has all necessary power and authority to execute, deliver and perform its obligations under and has duly authorized the execution, delivery and performance of this Agreement. This Agreement is a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms; subject to (A) applicable limitations of bankruptcy or equitable principles affecting the enforcement of creditors' rights, the effect of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith or fair dealing, and the possibility of the unavailability of specific performance or injunctive relief, (B) the exercise of judicial discretion and (C) the legal remedies against public entities in the State of California.

(iii) The Issuer will not knowingly take or permit, or knowingly omit to take or cause to be taken any action within its control that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

(b) The Trustee represents, warrants and covenants to the other parties hereto that:

(i) The Trustee has no knowledge of and has no reason to believe that any event or act has occurred which would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or of any event of default under any Bond Document.

(ii) The Trustee has all necessary power and authority to execute, deliver and perform its obligations under and has duly authorized the execution, delivery and performance of this Agreement. This Agreement is a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms; subject to (A) applicable limitations of bankruptcy or equitable principles affecting the enforcement of creditors' rights, the effect of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith or fair dealing, and the possibility of the unavailability of specific performance or injunctive relief, (B) the exercise of judicial discretion and (C) the legal remedies against public entities in the State of California.

(c) Freddie Mac represents, warrants and covenants to the other parties hereto that:

(i) Freddie Mac has all necessary power and authority to execute, deliver and perform its obligations under and has duly authorized the execution, delivery and performance of this Agreement. This Agreement is a legal, valid and binding obligation of Freddie Mac enforceable in accordance with its terms; subject to (A) applicable limitations of bankruptcy or equitable principles affecting the enforcement of creditors' rights, the effect of general principles of

equity, including without limitation, concepts of materiality, reasonableness, good faith or fair dealing, and the possibility of the unavailability of specific performance or injunctive relief, (B) the exercise of judicial discretion and (C) the legal remedies against public entities in the State of California.

(ii) Freddie Mac will not knowingly take or permit, or knowingly omit to take or cause to be taken any action within its control that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

(iii) Without the prior consent of the Issuer, Freddie Mac will not enter into any written amendment to the Reimbursement Agreement or the Freddie Mac Deed of Trust pursuant to which the Developer grants to Freddie Mac the right to foreclose its lien on the Project as a result of a default by the Developer under a loan secured by real property owned by the Developer other than the Project.

Section 11. Subrogation. The Issuer and the Trustee agree that Freddie Mac shall be subrogated to their rights and remedies under the Bond Documents (except with respect to Retained Powers or Retained Payment Rights). The Issuer and the Trustee agree to cooperate with Freddie Mac at Freddie Mac's sole expense and liability in connection with Freddie Mac's enforcement of any of such rights and remedies and agree not to take any actions that would prejudice the exercise of such rights of subrogation unless in the opinion of Bond Counsel delivered to the Issuer, the Trustee and Freddie Mac such action is necessary to preserve the exemption from income taxation of interest on the Bonds.

Section 12. Amendment and Waiver. This Agreement and each provision hereof may be amended to the extent and upon the conditions that the Indenture may be amended by an instrument in writing signed by the parties hereto.

Section 13. Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the law of the State of California.

Section 14. Notices. All notices, demands, requests, consents, approvals, certificates or other communications ("Communications") required under this Agreement shall be in writing, mailed (registered or certified mail, return receipt requested and postage pre-paid), hand-delivered, with signed receipt, or sent by nationally recognized overnight courier and shall be sufficiently given and shall be deemed to have been properly given if given in the manner in which notices are to be given and to the addresses as provided in the Indenture. All communications which the Trustee, the Issuer or the Developer is required to send to any other person pursuant to the Loan Agreement, Indenture, any other Bond Document or any Reimbursement Documents shall also be sent to the Servicer. All communications required to be sent to Freddie Mac or the Servicer pursuant to the terms of any Bond Document and any Reimbursement Document shall be sent to the following addresses:

To Freddie Mac: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, VA 22102
Attention: Director of Multifamily Loan Servicing
Telephone: (703) 903-2000
Facsimile: (703) 714-3003

with a copy to: Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102
Attention: Associate General Counsel—
Multifamily Legal Department
Telephone: (703) 903-2885
Facsimile: (703) 903-3693

To the Servicer: NorthMarq Capital, Inc.
3500 West 80th Street, Suite 500
Bloomington, MN 55431
Attention: _____
Facsimile: () ____ - _____

Section 15. Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of the Issuer, the Trustee, and Freddie Mac and their respective successors and assigns. No other party shall be entitled to any benefits hereunder, whether as a third party beneficiary or otherwise. This Agreement shall be deemed terminated without the necessity for further or confirmatory instruments upon the earlier of (a) the date, if any, upon which a substitute form of credit enhancement is delivered to replace the Credit Enhancement Agreement unless the issuer thereof replaces Freddie Mac hereunder, (b) the date the Credit Enhancement Agreement terminates or expires in accordance with its terms or (c) the date that the Indenture is released and terminated.

Section 16. Counterparts. This Agreement may be executed in any number of counterparts and all of such counterparts shall together constitute one and the same instrument.

Section 17. Acknowledgement and Consent. The Issuer and the Trustee acknowledge and consent to the granting by the Developer to Freddie Mac of the Reimbursement Mortgage which shall be a second priority Deed of Trust. The Issuer and the Trustee acknowledge and agree that Freddie Mac is a third-party beneficiary of the Loan Agreement with the right to enforce the provisions of such Loan Agreement subject to the terms of this Agreement. The Issuer and the Trustee agree and acknowledge that, notwithstanding that the Bond Mortgage may reserve or grant to the Developer rights different from or greater than those granted or reserved to the Developer under the Reimbursement Mortgage, the Developer must comply with the terms of the Reimbursement Mortgage and a failure to do so shall, nevertheless, be an Event of Default under the Reimbursement Agreement.

Section 18. Trustee. The Trustee accepts the duties imposed upon it by this Agreement and agrees to perform those duties but only upon and subject to the following express terms and conditions:

(a) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee;

(b) as to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceedings, the Trustee shall be entitled to rely in good faith upon a certificate purportedly signed by an authorized signatory of Freddie Mac as sufficient evidence of the facts contained in such certificate;

(c) the permissive right of the Trustee to do things enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct;

(d) none of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement except for any liability of the Trustee arising from its own negligence or willful misconduct;

(e) the Trustee is entering into this Agreement solely in its capacity as Trustee under the Indenture and not in its individual or corporate capacity; and

(f) all of the provisions of the Indenture related to the duties, obligations, standard of care, protections and immunities from liability afforded the Trustee under the Indenture shall apply to the Trustee under this Agreement.

[Rest of this page has been intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Intercreditor Agreement to be executed and delivered by their respective duly authorized officers as of the date first above written.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES, as Issuer

By _____
Executive Director

Approved as to form:

LLOYD W. PELLMAN,
County Counsel

By _____
Deputy

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Name _____
Title _____

FEDERAL HOME LOAN MORTGAGE
CORPORATION, as Freddie Mac

By _____
Douglas A. Westfall
Director, MF Affordable Housing

[Signature Page to Sand Canyon Ranch Intercreditor Agreement]

[FREDDIE MAC'S ACKNOWLEDGMENT]

COMMONWEALTH OF VIRGINIA)
) ss.
FAIRFAX COUNTY)

The undersigned, a Notary Public, does hereby certify that Douglas A. Westfall, whose name as Director, MF Affordable Housing of the Federal Home Loan Mortgage Corporation, a corporation (the "Corporation"), is signed to the foregoing Intercreditor Agreement, and who is known to me and known to be such officer, acknowledged before me on this day that, being informed of the contents of the foregoing Intercreditor Agreement, he/she, in his/her capacity and with full authority, executed and delivered the same voluntarily for and as the act of said corporation as of the date of the Intercreditor Agreement.

Sworn to and subscribed before me this ____ day of _____, 2003.

Notary Public

My commission expires:

[TRUSTEE'S ACKNOWLEDGMENT]

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, 2003, before me, _____, a Notary Public
in an for said County and State, personally appeared _____, personally
known to me (or proved to me on the basis of satisfactory evidence) to be the person whose
name is subscribed to the within instrument and acknowledged to me that she executed the same
in her authorized capacity, and that by her signature on the instrument the person, or the entity
upon on behalf of which the person acted, executed the instrument.
WITNESS my hand and official seal.

_____(SEAL)
Notary Signature

[ISSUER'S ACKNOWLEDGMENT]

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES)

On _____, 2003, before me, _____, a Notary Public
in an for said County and State, personally appeared _____, personally
known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) who
name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they
executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s)
on the instrument the person(s), or the entity upon on behalf of which the person(s) acted,
executed the instrument.

WITNESS my hand and official seal.

_____(SEAL)
Notary Signature

EXHIBIT A

REAL PROPERTY DESCRIPTION

THE LAND REFERRED TO HEREIN IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOT 1 OF TRACT 32321, IN THE CITY OF SANTA CLARITA, AS PER MAP RECORDED IN BOOK 1066 PAGES 41 TO 47 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.